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# NATIONAL BUSINESS REVIEW

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## Stevens-Bremner: layoffs and losses raise Millitron doubts

by Wurren Berryman

HEAVY losses by carpet manufacturer Stevens-Bremner (NZ) Ltd and the recent layoff of 54 men in the company's Foxton plant have brought into question the Government's decision to grant the company the sole import licence for the controversial Millitron carpet jet-dyeing machine and the DFC's decision to finance the Millitron venture.

Late last week representatives from the Woollen Mills and Hosiery Factories Employees Union — on behalf of the laid-off workers — met with management to discuss "redundancy".

"We call it severance," said plant manager P.A. Hearden. But he said there would be no layoffs apart from the 54 workers who had been given notice.

Hearden said problems had stemmed from a general downturn in trade, especially in the domestic market, though, "we've sustained our effort in the export field."

Stevens-Bremner's latest annual report for the year ending September 1979, shows before-tax losses of \$1,273,659 compared to a \$430,963 loss for the previous year. The loss situation is unlikely to improve this year.

Stevens-Bremner, with a paid-up capital of \$6.5 million, is owned 50/50 by Doug Bremner and J.P. Stevens Co Inc of New York.

Stevens-Bremner's March 1980 annual return shows more than \$6 million in registered debt. In addition to these secured creditors a considerable sum is owed to unsecured creditors, including J.P. Stevens Co Inc, and more than \$1 million in contingent liabilities.

In 1976, the Trade and Industry Department granted Stevens-Bremner a sole import licence to bring in a Millitron machine, and denied licences to carpet manufacturing rivals UEB Industries and Feltex. That decision was hotly disputed at the time.

The Millitron, which has never run to full capacity, and ancillary plant cost about \$6 million.

Hearden confirmed the Millitron had not been working to full capacity, but denied it had been lying idle.

Its use depended on the orders, he said. The machine would operate "when we get a viable run".

Informed sources said that while workers in the main factory had been working two shifts a day, the Millitron had been operating only one.

Hearden said the Millitron's operation time was variable, but generally, the machine ran for four or five days a week, or between 21 and 30 hours a week. (Overseas) these machines operate 24 hours per day in three shifts, seven days a week.

sometimes. The bulk of the finance came from the DFC, which has a first debenture for \$3 million and a chattel security for \$3 million.

Asked last week if the two securities were cumulative, DFC chairman John Mowbray said the corporation's relationship with Stevens-Bremner was one of banker-customer and that he would be breaching a confidence to discuss the matter.

"Take what you like out of the securities," he said, but in such circumstances, one might be a collateral for the other.

Stevens-Bremner, with only 10 to 12 per cent of its domestic carpet market, has the most fixed capital tied up in a jet-dyeing plant — the largely to Government intervention with the Millitron decision.

Industry sources estimate market shares for the big four carpet manufacturers at: Feltex 51 per cent, UEB 30 per cent, Stevens-Bremner 10 to 12 per cent and Cavalier Car-  
pets 7 to 9 per cent.

Stevens-Bremner managing-director Doug Bremner put the blame for the lay-offs of staff on the downturn in the local carpet market, claiming his plant has been overstaffed in relation to production for a long time.

"The difference between ourselves and other carpet manufacturers is perhaps that we have been a little more compassionate than some, hoping the economy as a whole would improve... and it doesn't appear to have done so," Bremner said.

Bremner said his company's relative position had improved in the last six months. But he would make no predictions on the loss figure in next year's annual accounts.

Bremner has just returned from the United States where he visited his joint venture, J.P. Stevens, a large multinational carpet firm.

Bremner said J.P. Stevens and Co. "had continued confidence in the operation of they would have walked away from it".

As to moves to counter continuing losses by the New Zealand company, Bremner said J.P. Stevens had made additional funds available.

But local carpet marketing experts have doubts about the market potential for Millitron printed carpets. The majority of the local market for domestic carpet is moving toward single colour carpet — not the patterned product such as that turned out by the Millitron. A similar buying pattern is evident overseas.

But in general, industrial users, such as hotels and offices, favour patterned carpets. However, here price is a factor.

Each has its own printing machines. The carpet industry is fiercely competitive with price cutting being the order of the day.

The Millitron was designed for synthetic carpet. Stevens-Bremner would like to make a synthetic carpet to boost throughput at its plant.

But real carpet manufacturers will fight any move to break the gentleman's agreement not to produce synthetic carpet in this country. To do so would divert the industry's attention from styling top quality wool carpet (New Zealand's forte) for the export market, according to industry sources.

These sources also claim that if Stevens-Bremner were to export cheap synthetic carpet to Australia, breaking the gentleman's agreement not to do so, the Australians would retaliate by putting a duty on all New Zealand carpets, thus wrecking our biggest export

carpet market. Stevens-Bremner's problems are amply manifest in its annual report: land, buildings and plant valued at more than \$11 million, interest rates on this fixed capital at up to 15.25 per cent, and insufficient throughput through this plant to justify the investment.

The accounts show debts repayable within one year at \$856,874.

The bank overdraft increased from just over \$0.5 million to just under \$1.6 million between 1978 and 1979. During this period trade creditors' accruals increased from \$1.9 million to \$2.1 million.

On the asset side of the ledger, cash in the bank has decreased from \$256,517 to \$254,000. Debtors and prepayments have increased from \$1.9 million in 1978 to \$2.6 million in 1979 and inventories from \$2.6 million to \$2.8 million.



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## The week

## Indexation approved

WAGE indexation, a system of keeping wages in line with cost-of-living increases, was approved in principle by the Arbitration Court. The decision was made in a test case taken by the Engineer's Union to get approval for three-monthly wage indexation. The court did not agree to the three-monthly rate, but agreed to a 12-monthly period.

THE New Zealand Olympic and Commonwealth Association's executive decided to uphold its decision to send a team to the Moscow Olympics by 12 votes to six with two abstentions. So far a 46-strong team will be going, this number being whittled down from the original team of 99.

THE \$250,000 compensation offer to Tairāngia Māori for more than 20,000 hectares of uncultivated land was rejected by the Tairāngia Māori Trust Board; it seeks a sum around \$2 million.

ALL Russian vessels fishing inside New Zealand's 200-mile economic zone should be expelled immediately as a political protest against Russia's invasion of Afghanistan, delegates decided at the annual conference of the Federation of Commercial Fishermen. Political reasons for the call came as a surprise; delegates had been expecting it to be put forward for fishing reasons, to maintain fishing resources.

THE LATOS test has been dropped by the Universities Entrance Board. But the board has asked for a committee to be set up to review the whole matter and to look into the possibility of having special English courses for those overseas students who failed the test.

THE erratic performance of the radar system at Wellington Airport which caused flight delays last week brought complaints by the Air Traffic Controllers' Association, which is seeking upgraded equipment to be installed within the next five years rather than the 10 years planned by the Transport Ministry. The Airline Pilots' Association joined their protest.

THE Broadcasting Tribunal granted Radio New Zealand an amendment to its warrant for community radio and gave the three ZM stations the go-ahead to broadcast a 24-hour-a-day service.

MOVES are afoot to recover about \$400,000 from unpaid subscriber-toll-dialling toll calls. Attempts at recovery of the money necessitate court proceedings, but the law does not allow the presentation of evidence from a computer. The Post Office Amendment Bill, allowing for computer evidence, is expected to be rushed through Parliament.

AN export opportunity team found California to be a potential export market for New Zealand-made engineering equipment.

PRIME Minister Rob Muldoon would not disclose details of his talks in Bahrain over the joint-venture coal-store project that is said to have struck cash-flow problems.

PRIME Minister Rob Muldoon soared forward as the most popular leader in the country, gathering support that makes him twice as popular as the Opposition Leader, Bill Rowling, in the latest New Zealand Herald National Research Bureau public-opinion polls. Muldoon was the choice of 24 per cent of the voters, Rowling 13 per cent, Bruce Beetham and David Lange 10 per cent each.

## The business week

Alloy Steel (NZ) Ltd reported an unaudited tax-paid profit of \$16,186 for the year to March 31 (\$4032 last year).

Ampol Petroleum Ltd reported an unaudited consolidated operating profit of \$A19,758,000 for the six months to March 31 (\$A17,411,000 same period last year). An interim ordinary dividend of 3.75c is payable on July 4.

Ballins Industries Ltd reported an unaudited tax-paid profit of \$1,946,000 for the year to March 31 (\$2,494,000 last year). A final dividend of 3.75c is payable on August 20.

Darling Management Ltd reported an audited con-

solidated operating profit of \$2,829,833 for the six months to March 31 (\$2,170,849 same period last year). A final dividend of 5.95c is payable.

Deanes Industries Ltd reported a tax-paid profit of \$785,987 for the year to February 29 (\$1,098,804 last year). A final ordinary dividend of 5c and a final specified preference dividend of 6c are payable on June 30.

Farmers Trading Co Ltd reported an unaudited tax-paid profit of \$5,483,315 for the year to March 31 (\$4,696,033 last year). A final dividend of 12 per cent is payable on July 10.

Fisher and Paykel Industries Ltd reported an audited tax-paid profit of \$7.9 million for the year to March 31 (\$8.9 million last year). A final dividend of 9c is payable on August 12.

Goodman Group Ltd lifted its unaudited tax-paid profit by 21 per cent to \$3,850,000. A final dividend of 12 per cent is payable on August 13.

Hauraki Enterprises reported an audited tax-paid profit of \$635,663 for the year to March 31 (\$512,924 last year). A final dividend of 7c is payable.

Henry Jones (IXL) Ltd reported a net operating profit of \$2,414,000 for the six months to March 31 (\$1,357,000 same period last year). An interim dividend of 3.5c is payable.

Humes Ltd bought the remaining 50 per cent of the issued capital in ACT-Sloane Pty Ltd for \$2,250,000. The total cost to Humes for the takeover was \$4,500,000.

ICI New Zealand Ltd reported an unaudited tax-paid profit of \$2,911,000 for the six months to March 31 (\$3,425,000 same period last year). An interim dividend of 6c is payable on August 13. The company has appointed T. Silvester to the board.

Industrial Chemicals (NZ) Ltd lifted its unaudited tax-paid profit by 32.4 per cent to \$344,223 for the year to March 31. A final dividend of 10 per cent is payable on July 31.

NZ News Ltd reported an audited tax-paid profit of \$2,850,000 for the year to March 31 (\$3,005,000 last year). A final dividend of 10 per cent is payable on July 24.

Odolls Ltd reported an audited tax-paid profit of \$4,024,034 for the year to March 31 (\$3,006,542 last year). Final dividends of 3 per cent for "A" preference shares and 8 per cent for ordinary shares are payable on August 28.

Quill Motors Ltd reported an unaudited tax-paid profit of \$295,000 for the year to March 31 (\$277,654 last year). A final dividend of 5c is payable on July 24.

J. Rattray & Son Ltd appointed James Veitch to the board as an associate director.

## The week ahead

MONDAY: Opec oil ministers meet in Algiers for oil price talks.

WEDNESDAY: AG-EL PORT fair to be opened by Agriculture and Fisheries Minister Duncan Macdonald.

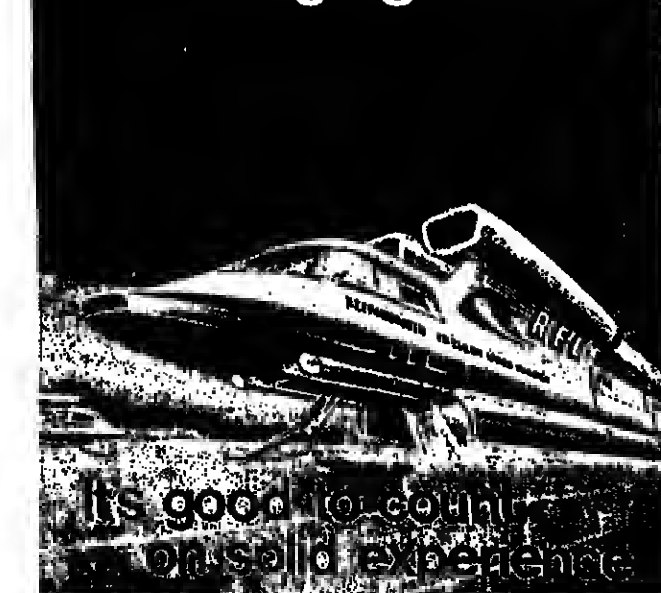
THURSDAY: Trade and Industry Minister Laure Adams-Schneider to address the first regional final of the Skellerup Young Farmer of the Year Award in Hamilton. He will also open Na Puke New Zealand Ltd's new premises in Hamilton.

SATURDAY: Dental surgeons' conference in Rotorua.

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## The week

## Examiner finds pint markup unwarranted

THE practice of charging pints and cans through a wholesaler represented nothing more than an accounting transfer for which a margin was taken, and so constituted an unwarranted additional

levy on the cost of the product. That is the finding of the Examiner of Commercial Practices, Gordon Stringer, reporting to the Commerce Commission on a complaint by Russell hotelier Wayne

Young, of the Duke of Marlborough. Stringer recommended that the Commerce Commission direct the discontinuance and prohibit repetition by both Lion and Dominion Brew-

eries of the practice of refusing to sell pints and cans to the hotel.

The commission has called for those wishing to take part in the hearing of the complaint to notify its executive officer, stating reasons, by June 27. The case is just one more in a string of liquor industry trade practice complaints which have lately occupied both the examiner's and the commission's time.

The complaint is similar to those lodged by Wineworthe and Westport-based cut price operator Baillie Wines and Spirits.

Young lodged his complaint in September 1978.

After concluding that the brewery practice was against the public interest, the examiner held a formal consultation meeting in October last year with representatives from the two breweries and

the New Zealand Wholesaler Wine and Spirit Merchants' Federation.

No satisfactory solution was reached, and the case has gone forward to the commission.

Based in the Bay of Islands, which attracts a large influx of tourists in the summer months, the Duke of Marlborough caters for the heavy tourist demand for beer by building up its stock from October.

By mid-December the hotel would hold some \$100,000 worth of stock.

Over the past five years, Young has unsuccessfully tried to buy pints and cans directly from the breweries.

In practice, the orders have been charged through a wholesaler - invariably DB Wholesale in respect of orders

from Dominion - but it is not necessary for the wholesaler to handle the goods at all.

In his report Stringer said the group marketing manager for Dominion Breweries "expressly declared that direct sales to the Duke of Marlborough would not be possible because Dominion would lose profits through its wholesale arm."

"This statement highlights the fact that the breweries have significant interests in the wholesaling and retailing of liquor, and while the sale of beer... to the Duke of Marlborough may appear to constitute an arm's length transaction between the supplier and the customer the breweries are not as impartial in the matter as they might appear..."

## Argentina arrives

AFROLINERS Argentina, Argentina's national airline, announced late last week that its first commercial flight via the Southern Polar route, between Buenos Aires and Auckland, would arrive in Auckland yesterday and depart today.

The Boeing 747 will take 15 hours and 10 minutes including a two-hour refuelling stop at Rio Gallegos in Southern Argentina.

The flight is a proving flight and approval for a regular service is likely to be automatic.

The first flight will carry 340 Argentine tourists and Acroliners and Argentine Government officials. Among them will be the under-secretary for Transport from Argentina, F. Camba, and Acrolina's president, P. Appella.

It is estimated that once approved the Acrolina's flights will bring 9000 South Ame-

rican tourists a year to New Zealand.

With the eighth largest economy in the world, Argentina offers New Zealand a prime export market.

## Legal probe

PAUL Cavanagh, the barrister acting for Auckland lawyer John Murrill, tried to persuade the Auckland Law Society disciplinary committee not to proceed with its moves to have Murrill suspended last Tuesday.

It is understood the bid was unsuccessful, and the Law Society will proceed against Murrill, asking for an interim suspension until the Law Society disciplinary committee meets in August.

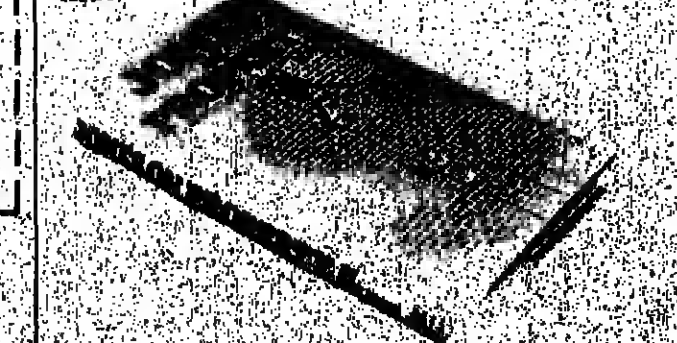
Murrill is accused, among other things, of a breach of fiduciary duty in the handling of his trust account (NBR June 2).

## Bob Jones in April 1980:

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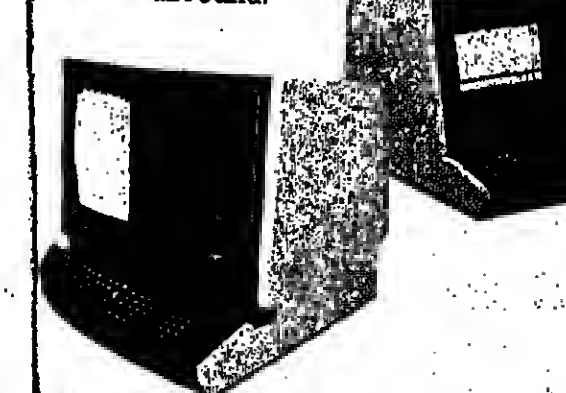
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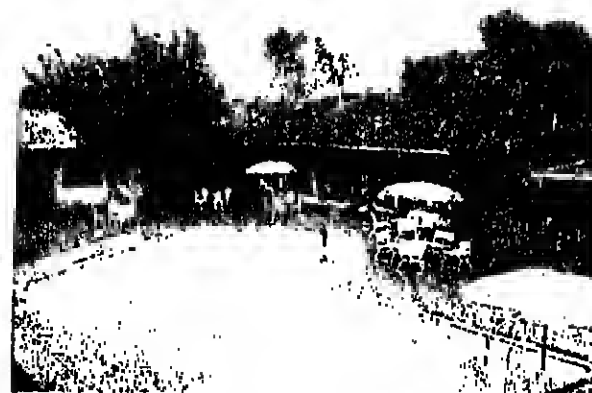
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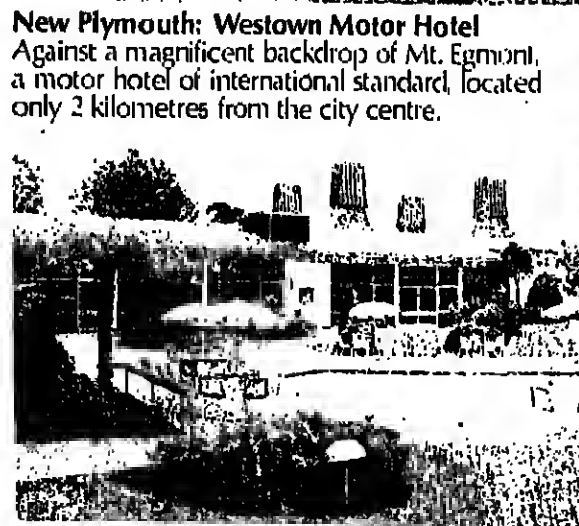
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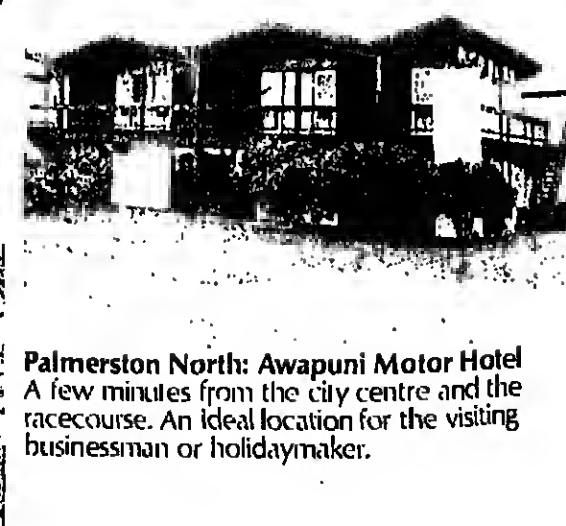
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## The week

# OPEC politics make oil predictions difficult

by Rae Mazengarb

MORE petrol price rises are bound to follow the OPEC Minister's meeting in Algiers today to review the price of oil. The meeting comes just one month after the latest wave of price increases added tens of billions of dollars to the 1980 bill of consumer nations.

Some oil industry sources said there was little scope of further increases in immediate-

They say that with world crude stocks at record levels, there would be adequate supplies to meet demand through the coming months. And prices have already reached levels which are encouraging some pronounced develop-

	(Non-Communist World) Million barrels/day					
	1976	1977	1978	1979	1980 (1st qtr)	1980 (12 months)
Supply:						
OPEC	31.1	31.8	30.2	31.2	30.7	29.7
Non-OPEC	16.4	17.6	18.8	19.9	20.8	21.1
Communist exports & refinery gains	1.4	1.5	1.5	1.5	1.5	1.5
Total supply:	48.8	50.9	50.5	52.6	53.0	52.3
Total demand:	48.8	50.0	51.4	52.1	54.7	51.0
Stock gain (loss):	0.3	0.9	(0.9)	(0.5)	(1.9)	(1.3)
Stock: days' supply	78	77	69	73	76	80

Source: Merrill Lynch Pierce Fenner & Smith's Monthly Petroleum Review

ment of alternative energy forms.

But the alternative argument — and one that the

economists cannot plan for — is that oil is no longer an economic commodity whose price fluctuates with supply

and demand. Rather, it has become political. OPEC Ministers generally have declined to predict if this

week's talks will result in yet higher prices.

Saudi Arabia has said it does not intend to go home its present price for a barrel of Arabian light crude.

But sources say it is not clear if the other 12 OPEC nations will follow Saudi's lead.

For the moment the bulk of non-Communist supplies remains in OPEC hands.

This year its members should produce an average of 27-28 million barrels a day, against a free world demand of some 50-51 million barrels a day, according to the *Financial Times*.

Reduced oil demand this year has resulted in total free-world stocks being at

their highest level for more than four years. These factors have combined to provide some slack in the oil market.

According to American stockbrokers Merrill Lynch Pierce Fenner and Smith in their latest petroleum review, total free world stocks stand at around 85 days' supply as against an average of 73 days last year and 69 days in 1978.

From a supply point of view, consumer nations can afford to be optimistic — for the moment.

But far from clear — and far more relevant — is how individual members of OPEC will exercise their supply and pricing powers in the coming months and beyond.

## McLachlan cranks TAC into action for drive at licensing

TRANSPORT Minister Colin McLachlan is about to crank the Transport Advisory Council into another burst of activity.

Meetings might be convened next Tuesday or a week later as the Minister gets to grips with a critical review of transport licensing.

McLachlan is chairman of the council, which the Government promised in 1975 would be its chief advisory body on transport matters.

But the council has not met for some months.

Its contribution to transport decisions was questioned in Parliament on May 30 by Labour MPs.

McLachlan said the committee met on September 4.

Arrangements were being made to convene a further meeting "in the near future", he said. Possible dates were the second or third Tuesday of June.

He said there had been difficulties getting a meeting before Christmas because of

dates which suited council members.

But the Minister's answer left some confusion about how the licensing review was being handled and by whom.

He said that at the last meeting, the council agreed its next duty was to consider

reports of the review of licensing of all transport.

"A paper was to be forthcoming earlier this year from the TAC, which it found difficult to do. It was then decided to ask the Ministry of Transport to put a paper to the council. That has now been

completed so the council can meet shortly.

"Several members of the council had to go for reappointment and they had to be consulted.

"I want to tell the honourable member that I did not view the council as something that should just come to Wellington for the sake of a meeting. The members all agreed that the next problem to be discussed was the licensing review. We now have papers and submissions for them to discuss and that is why this meeting will take place shortly.

McLachlan insisted the committee was still "top advisers". But it needed something to advise on, he said.

Asked if he felt confident that he had not needed any advice since September last year, McLachlan said the council was not there to give him advice week by week.

The council was kept idle for a long period in 1977.

The public eventually was made aware of growing disenchantment and disappointment among council members over its treatment by the Government.

The council's meeting on the eve of the Budget in 1977 was the first for almost a year. But the Budget gave effect to a wide-ranging review of transport, such as the extension of the old 50-mile road transport limit and controversial road-user charges.

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Utility wasn't slighted either. There's lots of room ordinarily, and when an extraordinary load has to be carried, the rear seatbacks fold down for up to 630 litres of carrying space.

The Starlet shows truly efficient use of space — just part of its overall economy. Starlet is at home on the highway too. It

accelerates 0 to 100 km/h in 16 seconds with its 1,000cc engine. As for passing, Starlet surges from 100 km/h to 120 km/h in just 14.0 seconds in 4th gear. And its top speed of 140 km/h is surprising, to say the least.

Part of the reason for Starlet's excellent performance is its wind tunnel-developed AEROBOX styling, complete with a ducktail roof. Proper aerodynamics make Starlet more stable. And rack-and-pinion steering makes it handle precisely. Four-wheel, coil-spring suspension gives Starlet a ride that is smooth and comfortable, while effective sound insulation keeps it quiet inside.

Toyota engineering has balanced room and performance with economy... in Starlet.

THINK IT OVER.

## TOYOTA

Fuel consumption  
ECE 90 km/h: 5.7 l/100 km





## Editorial

THE ghost of a Saudi princess can be blamed if the Government-appointed members of the Broadcasting Corporation have had some sleepless nights in recent weeks. The fact is that the BCNZ has been given the onerous task of deliberating on the merits of showing the controversial film, "Death of a Princess".

From one side, pressure is being applied by their political masters propounding a pragmatic approach; from the other, production people are pushing for more abstract, concepts of freedom of speech. It is the corporation's dilemma that it must decide where the public interest lies.

The film shows how a married princess of the Saudi royal family took a lover while studying in Beirut. She was shot and her lover beheaded. But Arabs claim the film is inaccurate and that it is deeply offensive to the Saudi royal family.

The Saudis have always been among the most sensitive of third world countries to Western comment that offends national or religious pride. When British television aired the film, Saudi Arabian outrage forced Britain temporarily to recall its ambassador and the British Government expressed its regrets. Before an American telecast of the film, the Saudis expressed grave objections in the United States.

In this country, Broadcasting Minister Hugh Templeton conceded last week there had been no direct Saudi pressure on the Government to halt viewing; rather, we have had "indications" that screening would cause them concern, he said on Radio New Zealand's *Fivepoint*. Those indications suggested steps would be taken that would cause "real concern" to New Zealand.

New Zealand was in deep trouble trading with established partners, Templeton pointed out. Lamb faces problems in the EEC, and a major growth area as traditional markets turn sour is the Middle East — Iran, Iraq and Saudi Arabia.

Then there are oil supplies to consider. Sixty per cent of our oil supplies come from Saudi Arabia. Later that day came suggestions of another reason for the Government's desire to maintain a good relationship with the Saudis. There was talk that New Zealand was to secure another loan from them.

As Templeton pointed out, it had been imperative that the Government bring to the corporation's attention the national interest to be considered under the Broadcasting Act. As Minister of Broadcasting, he had been asked to convey the Government's concern to help it in its deliberations. Templeton said (although it was not a matter for a written directive). He said he made clear the nature of the problem and had asked the corporation to bear in mind that the Saudis were angry about the film — but it was the corporation's decision.

The statutory relationship between corporation and Government is delicate. Most important of the tight controls under which the BCNZ operates is a sweeping section which provides: "In the exercise of its functions and powers under this Act the corporation shall have regard to the policy of the Government in relation to those functions and powers (of the corporation), and shall comply with any directions given by the Minister to the corporation by notice in writing pursuant to the usual policy of the Government in relation to the functions and powers of the corporation." But the 1976 Act precludes such a directive being issued in regard to a particular programme — a concession to critics who feared the corporation would be subjected to unreasonable Government influence.

In a small society, however, political interference is made easy and can take more subtle forms than written directives. Ministers, directors-general and department heads are all on first-name terms; they have to live with each

other and depend on each other's co-operation. Pressures are easily applied on a friendly basis by a mere phone call. And the very existence in Cabinet of a Minister of Broadcasting invites pressures on him from colleagues.

A major concern now must be that a surrender to Saudi sensitivities will set a precedent and invite other countries to flex their muscles in temper the content of television or radio broadcasts. Templeton seemed confident last week that the Saudis could not influence news or current affairs. But the British Foreign Office attempted in the days before the downfall of the Shah to get the BBC to be more circumspect in its coverage of events in Iran on the grounds of the potential damage to British exports. The bureaucrats would have done better to have been warning their government of the fragility of the Shah's regime and of the risks for British contractors. Instead, the alarm bells were sounded by news organisations — including the BBC.

Templeton said that no-one in the Government would interfere with freedom of speech as such. But he talked of the need to take a "commonsense" approach because "we live in a real world", and he pointed out that the Broadcasting Act requires the meeting of certain standards and objectives. "The film does have some deficiencies from what I have read," he said.

After the Government caucus unanimously opposed the showing of the film — conscious of our oil supplies and primary produce trade — Acting Prime Minister Don McEwen said that, to be pragmatic, it seemed pointless to show what amounted to a "gory beheading". Primary producers, exporters and businessmen do not want the film shown because it could harm trade.

But buckling to the threat of Saudi Arabian reprisals is to abandon a fundamental democratic right without much of a fight. Those

who urge suppression of the programme for reasons are demonstrating a readiness to battle to defend freedom of speech on one battleground. Their concern may be genuine but it shows a demeaning deference more to the dollar than to Arab sensibilities. And conveniently forgets our willingness to meet New Zealand lives in World War II in defence of democratic freedoms.

The Saudi royal family is not infuriated by the film's depiction of the executions — that was the point of the film — but the Saudi law applies equally to princes and commoners, they say. But the charge that the film is a fictionalised account of the incident — implies that the teenage prince was denied the benefits of Koranic law which requires rigorous and complicated proof before an adulterer can be punished, and that it accurately reflects the role of women in Arab culture. The Saudis are particularly outraged at a scene in which bored, wealthy princesses are shown cruising the desert in chauffeur-driven limousines, seeking sexual liaisons with local wealthy men waiting in their own limousines. Thus, they say, the film will mislead Saudi life (the sort of concern which ought to be understood by New Zealanders who are also xenophobically quick to take umbrage when in this country is falsely depicted or distorted overseas).

This — and this alone — should concern the corporation. The public interest can be furthered by the projection of falsehoods. Television New Zealand must ensure that whatever it does best serves the common good for truth. A vow of silence and the suppression of truth guarantee our trade would be irrevocable; but the corporation has no duty to what it knows is a lie.

## Brockie's view

PLAYMATE OF THE MONTH: Bill Jones, MP for Helensville

BUST: 38"

STAR SIGN: The Goat

TURN-ON: Patricia Barlett; Mary Whitehouse

TURN-OFF: The Johns on Report

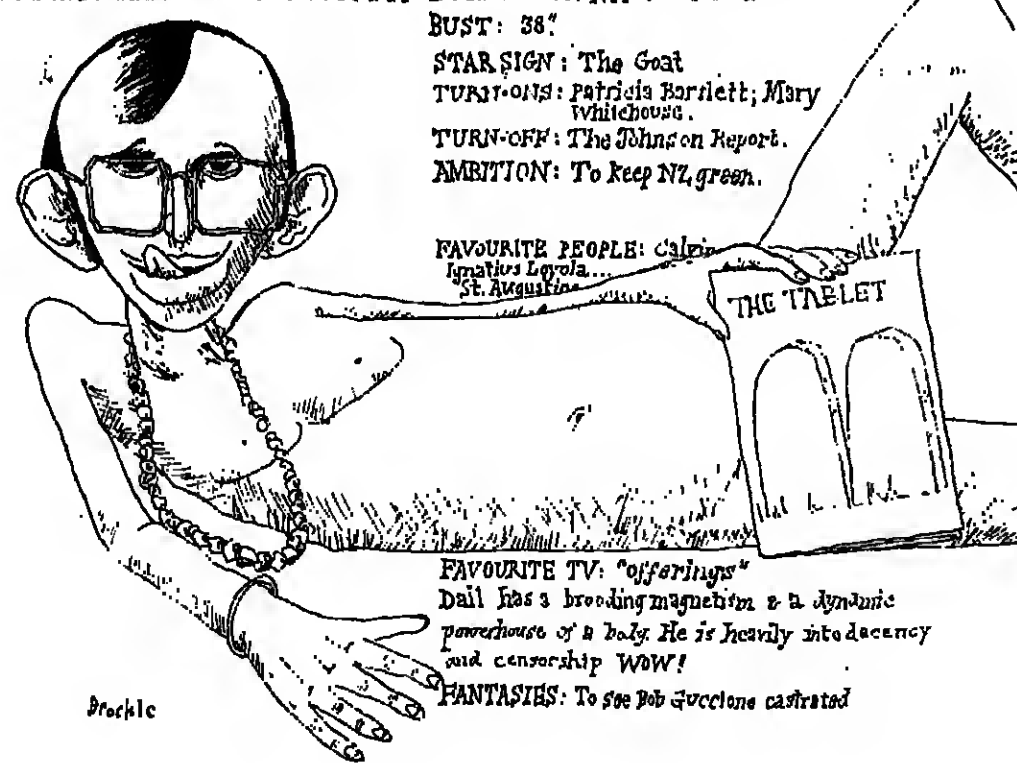
AMBITION: To keep NZ green.

FAVOURITE PEOPLE: Calista Fajardo; Lynda St. Augustine

FAVOURITE TV: "offerings"

Dail has a brooding magnetism & a dynamic powerhouse of a body. He is heavily into decency and censorship WOW!

FANTASIES: To see Bob Queneau castrated



Brockie

## Without word of a lie

### Over a barrel with oil-price projections

ENERGY dynamo Bill Birch complains that we misunderstand the policies he is formulating and administering (see letters — Page 8). But the indictment of those policies which Erich Geiringer presented in *National Business Review* last month — and whose arguments consumed more than half-a-dozen of our editorial pages — are glibly dismissed by Birch as obvious.

But not as obvious as Birch no doubt would like us to believe. The Geiringer cause has been taken up vigorously by Radio Pacific, which the other day organised an on-air debate between doctor and politician.

Chairman Gordon Dryden took the opportunity to tackle Birch on those oil-price projections on which the Energy Ministry has been basing its planning data (and which are so far from reality that they estimate a barrel of Saudi Arabian light, already costing more than \$35 on the spot market, at \$28 by 1985).

So what's up? Dryden wanted to know. And how now do the ministry masters project future oil price levels?

The answer was at least honest: your guess is as good as mine, Birch confessed.

And if that be so, we wonder, why should anyone give more credence to Birch than to Geiringer, NBR or Mother of Ten?

## Muldoon's memory lapse

THE PM was in obvious good spirits last week after his 45-minute meeting with French President Giscard d'Estaing. And why not? After all, Rob Muldoon had been wined and dined with French officials in an atmosphere said to have been cordial, relaxed and friendly.

Radio New Zealand's man in Paris wanted to know if Muldoon still thought the French were bloody-minded. But Rob dismissed the idea that was something he had said months ago — indeed he thought it was last year.

It was less than a month ago, of course — Ruarri' Rob ripped into the French in an inspired speech to the faithful at the National Party's Wellington divisional conference in Palmerston North on May 10.

## News for nix if you smuggle the stuff

POLITICAL upheavals in the New Hebrides are likely to be front page news in the world press for some time. TVNZ was tight in there with the

best of them, with one of the first newsmakers — more by good luck than good management.

BBC reporters were on the spot. TVNZ was not. But TVNZ broadcast the BBC piece on Saturday night about the same time the BBC put it on air in Britain.

The story behind the story is almost as good as the story itself.

The Labour Party's new admin Ned Squires was enjoying a bit of sun in Villa after organising the Labour Party conference in windy Wellington.

He met some old BBC mates who were hot on

the trail of the political blowup brewing in the islands.

The story was so hot that, when finished, the BBC figured they would never get it out of the country legally.

So Squires "smuggled" the film out to his suitcase to be met at Auckland airport by a staffer from TVNZ.

Meanwhile, the BBC arranged with TVNZ to have the film processed here and sent via elite to London. In return, TVNZ got the film for nix, apart from some overtime in processing rooms. It may lead them to Saturday's newscast.

## Are you being served as society is re-shaped?

by Dr Stanislaw Sawicki

IN the year 2000, acts of God aside, the industrially advanced countries will be predominantly service societies.

The average citizen might not react with curiosity to that statement. In any event, one could ask "what is a service?"

The answer may reveal that this development goes beyond mere statistical curiosity, and is a monumental transformation with economic, cultural and even spiritual consequences.

Defining a "service" is harder than it appears; a word and services, the distinction between the two is that services are intangible utilities. It is generally agreed that they include trade, finance, transport, education, public service, health, recreation, beauty parlours, and other related occupations.

The move to a service economy however, could not be equated with the growth of blue-collar occupations. The number of manual workers in such occupations as transportation, maintenance and catering has kept up with the expansion of the service sector.

Whatever significance we attribute to the evidence, at this level it is not seriously disputed. Service employment has been increasing at a faster rate than manufacturing, and in agriculture the number of workers has declined.

To describe the new structure, sociologists have coined the term "post-industrial society" — which has entered into the language of social thought. One of the most quoted notions of post-industrial society is that of Daniel Bell, a professor of sociology at Harvard.

Edo Clark, an Oxford economist, argued in *The Conditions of Economic Progress* in 1940 that industrial societies show a similar pattern of structural changes, involving the continuous growth of the service industry, which he termed as the tertiary sector, after agriculture and mining.

Although this may seem a wide and far-reaching generalisation, Clark argued that every advanced nation would pass along this trajectory, "as time goes on and communities become economically more advanced, the number engaged in agriculture tending to decline relative to the numbers in manufacture, which in turn declines relative to the numbers engaged in service."

The history of occupational trends in England which may be unique rather than representative of normal experience in other countries, seems to support the theory about structural changes associated with the economic transition from the industrial to the post-industrial stage.

The employment trend in Britain and the Low Countries between 1870 and 1970 points to structural changes involving the continuous growth of the tertiary sector, although the expansion of services had occurred at the expense of industrial employment.

In the mid-1960s, 40 per cent of workers in the United States were employed in the tertiary sector. In the next 10 years the proportion rose to 45 per cent.

In the United States about 65 out of every 100 workers are engaged in the service sector.

According to the conventional schemes of history books, most of our wealth was at first derived from agricultural activities, fishing and hunting. The revolution in industry in the 19th century overtook the primary industries and the service sector.

Other regions, including New Zealand, followed the movement. Japan in the mid-1960s and the USSR in the 70s have been ready to enter the tertiary sector, though planning for services is more difficult than planning for industry and durables.

While the link with the standard of living is in direct proportion to the size of services, the proportion of services in the economy corresponds with the degree of affluence.

Thus, whereas some services belong to the age of a modern economy such as computer programming, others, like domestic service, are the age of the *Forsyte* Saga and, along with the growth of services, are in decline. Just as butlers are a thing of the past, so are the processing rooms. It may lead them to Saturday's newscast.

In New Zealand the health parlor has been the subject of legislation designed to compel "quality control", so the public is protected from the consequences which could become a danger to the public purse.

The differential rate of the expansion of manufacturing and services makes it clear that the service sector is now employed faster than the manufacturing sector. Following, then, the as-



Stanislaw Sawicki... structured changes in post-industrial age

sumed sequences of the predominance of occupational trends from primary to secondary, and thence to the tertiary sectors, industrial society can be equated with the predominance of the industrial employees, the post-industrial with predominance of the service employees, and the pre-industrial in which agricultural workers were in the majority.

This would seem to validate the basis for the evolutionary sequence in the distribution of the work force incidental to each period of economic development. As income rises and the relative basic needs are progressively satisfied, new needs arise and redundant labour from declining industries is transferred to the creation of relative luxuries — a movement from goods to services.

A change in the pattern of distribution of the work force, as between different sectors, has been compounded further by a movement from countryside to the cities. In developing countries this movement is still working itself out, with far-reaching cultural, political and managerial consequences.

Many reasons are given for the growth in the modern service sector. As income rises and becomes more equitably distributed, the demand for goods tends to rise relatively less than the demand for services, the concomitant of a healthier, better-housed and better-educated society.

But perhaps the most persistent cause is the break-up of long-established personal ties within residential communities.

The traditional function of the family has narrowed sharply in comparison with its role in the past. The care of old and young people, when both parents are out at work, has been taken over not only by market institutions but also by the state.

In countries in which inter-ethnic relations have been dominated by racial friction, it was the coloured element that was mostly affected by unemployment and made dependent on the social welfare services.

We are becoming a communal society in which the needs provided by state agencies are in great demand. This leads to the gradual replacement of the market by the Government as the fund decision-maker of alternative economic and social choices.

The arrival of "the service revolution" has also put great stress on occupations within the growth-services.

The traditional work environment of white-collar occupations has been affected by the same process of rationalisation and mechanisation as had earlier affected the factory.

The image of service work conjured up by the mass media and advertising agencies, featuring attractive conditions, reflects only the prestige parts of the service sector, glamourised stars and prima-donnas in the forefront of the service economy.

The picture of the male clerk painted by Dickens in the 19th century — cultivating gentlemanly ways, close to his employer and with reasonable expectations of rising from the ground floor to the top office (or through marriage to his employer's daughter) is not the expectation of his 20th century successor, mostly unskilled female employees.

The key services in separate branches have been brought together, thus abolishing the flexibility of work time and intensifying supervisory procedures.

Into the social life of the office, depersonalised factory-like conditions have been introduced. The modern computerised office closely resembles the automated factory, with a few highly trained systems analysts and a mass of proletarianised office workers.

"Taylorism" of scientific management has moved into office and shop; how to enlarge the economic pie through more effective work techniques.

The growth of output per man in the service industry is lower than in manufacturing. This causes the service industry to be further labour-swollen.

The relatively slow growth in the productivity of services results from several factors, such as a greater fall in working hours, a larger increase in capital per worker in industry and a more rapid technological change in industry.

The visible growth in service economy, as measured by the term "gross national product" as the primary index of prosperity, could indicate an increase in national wealth.

Housing people in high-density blocks, maintaining road services for motorists, restoring the fatigued limbs of high-power business executives in health centres — all to that extent contribute to the public welfare. But some of these services do no more than remedy the cost of external "dis-economies" created by other services and are not an actual addition to total welfare.

Ivan Illich makes an interesting observation concerning the illusion of medical services. He suggests that the GNP measures the wealth of a nation in the same way as medical bills measure the health of a patient, both adding on the same scale to the market value of benefits.

There seems to be also a quirk in social accounting. A U. Pigeon, a Cambridge economist, noted 25 years ago that if a widowed vicar paid wages to his housekeeper, that would be an addition to national income; if he married her that would become a subtraction.

Some economists have argued that the difficulties of raising productivity in the service sector are a contributory factor in causing inflation, because expanded service industries are more costly to operate than manufacturing. This self-improvement by economic progress appears to be an anomaly of the post-industrial age.

But with investment in telecommunication, productivity in the service industry may accelerate. For example, a Giro system may lead to a chequeless and paperless form of bank. In education there is considerable scope for re-

placing teachers with machines for repetitive learning (and, of course, there is the prospect of transplanting limited knowledge by surgical operations).

Whether it will be possible to develop the new service industries in the post-industrial age as rationally as the older manufacturing ones will depend, among other factors, on the application of managerial rationality to service industries.

The technology of management is less accessible to the service industry and efforts to improve productivity in the service industry will be more difficult and less rewarding than in goods-producing industries.

Many economists describe services in terms akin to those used by that dour Scotsman, Adam Smith, to describe domestic services, "barren and unproductive".

How can one ensure access to the productivity-improving technique for a clerk in an employment office who interviews an applicant for unemployment benefit, who became unemployed through the productivity-improving technique?

According to Theodore Levitt, a Harvard economist, the success of the industrial age owes more to inventive management than to inventive technology, and the application of managerial art to the service industry could raise the efficiency of services in the post-industrial age.

Some economists take a pessimistic view about the expansion of new services not auxiliary to the production of goods and regretfully ask whether democratic societies will have to become authoritarian regimes to impose restraint on the direction of sectoral economic growth.

The English historian T. B. Macaulay once said that the forces shaping his world were steam engines and democracy. Some time later Lenin said that Communism is nothing but the Soviet rule plus electrification of the whole country.

One could say now that our world is shaped by electrification and "our obedient servants".

Dr Stanislaw Sawicki is a senior lecturer in the Department of Accountancy, Victoria University, Wellington.

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## Letters

## Effective fuel response

YOUR editorial (NBR May 19) is noteworthy for its gross misreading of New Zealand's current transport fuels situation.

Having just returned from a ministerial meeting of the International Energy Agency, I am confident that none of the other 19 member countries has responded more effectively than New Zealand to the problems of world oil supplies, which have in the last 18 months become so pronounced.

You criticise severely the lack of progress in the CNG programme and mention a two year period since the Government recognised this fuel.

In fact it is just one year since I received a report especially commissioned by the NZERC on the technical and economic aspects of CNG use. A programme of conversion of 150,000 vehicles to CNG by the end of 1985 was adopted by the Government and tax and grant incentives introduced in the last Budget. Since that time there has been substantial momentum in the market place with more than 5000 vehicles being converted or about to be converted, including 1200 of the Post Office fleet.

The 24 public filling stations are either open or about to be opened. Not a bad effort by the industry in only 12 months. This effort also means that New Zealand is now the second largest CNG consumer in transport in the world. A fact which your correspondent, Dr Geiringer, fails to recognise in his obituary article on CNG published recently (NBR May 12, 19, 26).

There is no doubt that it is in the national interest to convert medium to high mileage vehicles on the existing gas lines to CNG and the programme is ambitious but achievable. It is nonsense to advocate the wholesale conversion of the total North Island vehicle fleet to CNG. The costs would be very much in excess of the current energy plan and there are much more economic alternatives as the NZERC reports confirm.

Work is also going ahead on the design of the planned synthetic gasoline plant for New Zealand, on which the Government and the Mobil Oil Corporation reached agreement in March last.

It is interesting to note that, from the establishment of the Liquid Fuels Trust Board in 1978 to the completion of its recommendations for the use of Maui gas, including that for the synthetic fuel project, less than a year elapsed — a considerable achievement, having regard to the nature of the studies and decisions involved.

The cost of the petrol manufactured is likely to be close to the comparative cost of petrol from the refinery and will be available to those who may not be able to convert to CNG or LPG.

The measures New Zealand took to counter the sudden disruption in world oil supplies caused by the revolution in Iran were a realistic response to a difficult situation which, as I have long maintained, is both a supply and price problem. That remains true, even though world stocks are relatively high at present.

To regard the supply crisis as over is to exhibit a short memory and a blinkered perspective. Such a view is not supported by consumer Governments throughout the world.

The demand restraint measures introduced in New Zealand were collectively successful in reducing our oil

consumption during 1979 by 4.9 per cent compared to 1978 — almost exactly the amount sought of IEA members. Your editorial acknowledges this yet is so inconsistent as to denigrate one of the main restraint measures, carless days, as ineffectual. A review of carless days after the satisfactory restart of the refinery was promised well before it was announced by Radio New Zealand.

Your editorial is in error, also, in claiming that New Zealand has bought crude oil on the spot market.

Virtually all of our crude oil supplies have been obtained at conventional contract prices, but in three cases I have approved the purchase of a particular shipment at a contract price plus a premium. None of our oil supplies have been purchased on the spot market, as to do so could have provoked higher prices all round.

On the question of petrol prices, it is important to note

that the equivalent prices overseas currently, are 91 cents per litre in Belgium, 90 cents in Holland, 75 cents in Greece, 71 cents in Japan, 70 cents in Britain, and 66 cents in West Germany. Alongside these, New Zealand's 52 cents per litre can scarcely be regarded as "conservation by pricing" as your editorial alleges.

Nevertheless, conservation is important and it is part of the Government's policy to encourage the conservation of energy in all its forms, a point which, fortunately, your editorial has recognised.

Bill Birch  
Minister of Energy

## Party "branch" grates

HELEN Vause wrote (NBR May 26) about a seminar on women entering local body

politics. That's a good idea, and I support it. But what really interested me was Ms Vause's reference to "National Party branches". You see, it is only the Labour Party that gives an electorate organisation the name "branch".

In the National Party "branch" means something quite different. To anyone who is interested in or active in independent observer of the National Party the word "branch" grates unacceptably when applied to a National Party electorate organisation.

To a Labour Party member on the other hand the word "branch" in that context comes naturally.

That provides a do-yourself guide to picking left-wing journalists. If they use the word "branch" to describe a National Party electorate organisation, their political slip is showing.

Aussie Blah MP for Eke

## Politics

## Parties speculate under electorate calm

by Colin James

WE are halfway through the parliamentary term and underneath the wavy surface there has seemed to be a deep underlying calm in the electorate.

At least, that is what the polls have been suggesting. Apart from a flurry in the dying months of last year, voters who did not to Heylen-NBR pollsters have been telling them a remarkably consistent story: National and Labour fairly even around 40 per cent and Social Credit about half that.

Figures: National 39.7 per cent, Labour 39.9, Social Credit 18.8. Things are not always what they seem. A couple of months ago I drew attention to what seemed to be the beginning of an upward trend for National and a slight downward trend for Social Credit since

around the time of the end-of-year flurry.

It is too early yet to say whether they are real trends, but they do seem to be holding.

Under the calm, then, there may be a longer-term shift in voter attitudes favourable to a more confident and forward-looking National Party. So National is hoping anyway.

Labour is hoping that the calm masks a more disruptive change: that the electorate is not punch drunk with inflation (up from 13 per cent a year ago to 18 per cent) and that the Heylen-NBR's most urgent problem to 25 per cent in March, 48 per cent in April and 41 per cent in May, but is developing a deep, sullen anger that will eventually turn vengefully on National.

There may have been some pointers in the Onehunga by-election on Saturday (see analysis article). If so, the Heylen-NBR poll due to have been taken on the same day will help provide some additional clues.

In the meantime the poll has been throwing up some useful information on the parties' appeal to various age groups.

It is an old adage that a voter is more likely to lean toward the party of the left when young and gradually to become more conservative with age.

There is a case to be made — and it has been made repeatedly on this page — that for the past 18 months it is National that has been the party of innovation, of economic and social reform.

Conversely, it has been Labour arguing for the conservation of the 1940s-1970s state-oriented, social welfare economic and political system.

But by and large we can probably safely assume that the electorate still associates reform with Labour and conservatism with National. In addition, where National's change has been perceived it has probably been seen as reactionary.

The young-Labour, old-National picture is drawn clearly in the Heylen poll material.

Labour has been doing better among "new" voters (table 1) — those who did not vote in 1978 (probably mainly because they were not eligible) and now come within the poll's ambit. The bulk of those poll respondents are almost certainly young.

Labour's proportional strength among the young is confirmed in table 2. With only one exception, Labour's

Table 1: New voters in monthly Heylen-NBR poll

	Dec 1	Feb 2	Mar 1	Apr 12	May 3
Nat	4.3	4.8	5.5	6.6	4.8
Lab	5.5	5.4	5.4	4.1	5.5
SC	4.2	4.4	2.6	4.3	2.0
Val	0.3	0.8	0.3	0.4	—
Totals	14.3	15.2	13.8	15.4	12.1

Note: All figures are percentages of the total responses in which support for a party was expressed.

Table 2: Percentage of party "gains" in 15-24 age group

	Dec 1	Feb 2	Mar 1	Apr 12	May 3
Nat	48.7	51.6	60.9	53.1	49.7
Lab	55.9	55.4	60.4	54.8	55.8
SC	43.0	50.7	48.4	48.1	38.1

Note: Each figure represents the percentage that respondents in the 15-24 age group represent as a proportion of all those respondents in the particular poll in question who said they were switching their support to the particular party from somewhere else or were supporting that party for the first time.

Table 3: Percentage of party "loyals" in 15-24 age group

	Dec 1	Feb 2	Mar 1	Apr 12	May 3
Nat	12.4	12.0	8.5	13.2	11.3
Lab	17.2	11.1	9.4	10.5	14.3
SC	13.1	14.0	20.6	14.1	11.0

Note: Each figure represents the percentage that respondents in the 15-24 age group represent as a proportion of all those respondents in the particular poll in question who said they voted for the particular party in the 1978 election and would do so again at the time the poll was taken.

Table 4: Percentage of party support in over-55 age group

	Dec 1	Feb 2	Mar 1	Apr 12	May 3
	"Loyals"				
Nat	27.9	35.0	35.8	30.6	35.2
Lab	31.6	26.1	28.3	35.4	31.5
SC	13.1	26.6	24.3	28.8	21.4
	"Gains"				
Nat	20.2	7.4	7.7	10.2	9.8
Lab	15.4	9.4	12.2	7.7	7.7
SC	16.5	8.7	15.9	12.4	19.5

Table 5: Percentage of party "gains" in 25-39 and 40-54 age groups

	Dec 1	Feb 2	Mar 1	Apr 12	May 3
	25-39				
Nat	17.7	30.4	17.8	22.6	25.1
Lab	18.2	22.0	20.1	24.6	21.9
SC	26.0	23.3	22.2	17.8	17.8
	40-54				
Nat	13.4	10.6	13.6	14.1	15.4
Lab	10.5	3.2	7.3	13.1	14.8
SC	14.5	17.3	13.5	20.7	24.6

## Instant analysis kit

BY the time most of you read this, the Onehunga by-election will be over. Next week this page will carry an analysis of an election that could be an interesting indicator of the country's general political mood at a time when the ideological demarcation lines between the two main parties are more sharply drawn than for many years.

In the meantime, you can do your own instant analysis, with the help of the polling booth figures the Auckland newspapers will print.

Onehunga is rare: in effect a continuation of three electorates.

In the north it is safe National. North of Campbell Rd, which runs along the south side of One Tree Hill, is a triangle of territory that came from true blue Remuera in 1977.

In 1978 National scored more than 50 per cent in all booths except two and majorities over Labour ranged up to 33 per cent.

Overall, there was a 6.5 per cent swing to Labour in 1978 and the National share

dropped, giving National hope this time of recovery there (the swing was greater than in either Remuera proper or comparable Karori in Wellington, but the percentage drop lower).

In Ellerslie, off to the east, in polling booths east of Great South Rd, the parties are relatively even. National led by 2.6 per cent in 1975 and Labour by 6.6 per cent in 1978. The 1975-1978 swing was 4.6 per cent.

In the south, apart from a small pocket near One Tree Hill and another two to the west of Onehunga township, it is solid Labour.

If you draw a line across Mt Smart Rd from Inkerman Street in the west to the Great South Rd in the east, you will find one of the safest Labour areas in the country — Labour shares of 60 per cent or more in every polling booth and majorities over National of up to 37 per cent. The 1975-1978 swing was 6.7 per cent.

To calculate your own by-election swings, here are the 1978 percentages for the three zones:

	North	Mixed	South
Nat	57.0	39.0	23.8
Lab	27.8	45.6	63.8
SC	11.7	15.4	10.7
Rest	3.5	2.0	1.6



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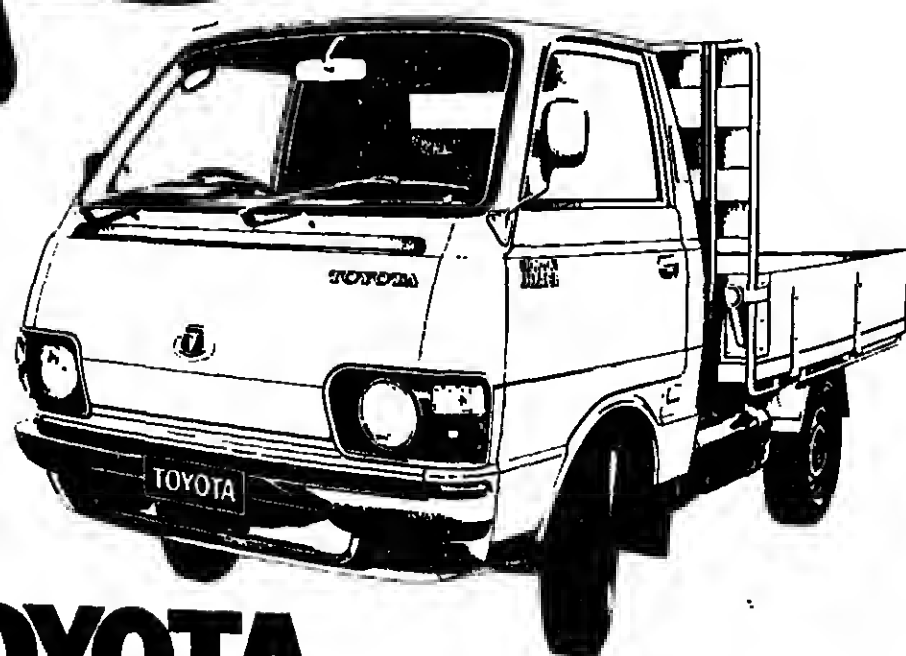
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## Economy

# Migration: abandoning ship in rocky waters

Economics Correspondent

If migration trends are any indication of future economic activity, then good times are somewhere around the corner.

A growing number of migrants are deciding that New Zealand is a relatively good place to live. Even our trans-Tasman neighbour seems to be gaining popularity as the place to be.

The flow of people leaving our lovely pastoral country has slowed down. And the sluggish inflow of immigrants is showing signs of moving into a more rapid gait. This March year, net outward migration was just over 22,000 compared with a 27,000 net outflow of people last year.

Additional classifications are not yet available for the March year, but when the migration figures for February are broken down, there were 13,000 more New Zealand residents returning home (after at least 12 months away abroad) than leaving.

There has been a net gain in permanent residents from just about every major country, with one exception: Australia. Movement from New Zealand to Australia is plummeting. The stream of migrants to Australia increased rapidly from 1976 to 1977, but has slowed since then.

Australia still offers higher real wages, a better climate and lower taxes for those talented Kiwis who are able to get jobs. But a recent publication, *Trans-Tasman Migration*, suggests that it is not as easy for new migrants to get on in Australia as it may have appeared while living in New Zealand. Unemployment is higher for New Zealanders living in Australia (at 8.6 per cent) than it is for Australians (at 6.0 per cent) or other new migrants (at 6.0 per cent).

*Trans-Tasman Migration* covers the proceedings of a workshop on population flows between Australia and New Zealand sponsored last September by the Australia-New Zealand Foundation.

Ian Pool, the editor of this University of Waikato occa-

sional paper, complains that analysis of trans-Tasman migration is hindered by the lack of adequate research and the quality of data.

"If any single conclusion can be drawn, it is that the issue of trans-Tasman migration is extremely complex. The public is therefore not well served by many of the simplistic reports and off-the-cuff analyses made by parts of the mass media, and by some public figures and academics."

"To be more definitive in this key policy domain we require more data and further in-depth analyses."

The trans-Tasman migration flow is unique. For citizens of a Commonwealth country or Eire who have resident status in either Australia or New Zealand, entry to the other requires no formal documentation and resident status in one country qualifies one almost immediately for all the rights and obligations of residence in the other.

A matter of concern in both Australia and New Zealand is whether this relatively free movement should be maintained.

Public debate on migration tends to focus on the summary statistic - net migration. This statistic measures arrivals minus departures or permanent arrivals minus permanent departures. But the two components, departures and ar-

ivals making up net migration do not move similarly.

Immigration levels have fluctuated wildly in response, not only to economic forces, but also to political intervention. In the 1970s, the Government actively encouraged immigration and then severely constrained it.

Emigration, by contrast, has increased in volume more or less monotonically, though this monotonic trend accelerated in the late 1970s.

Recent increases in outwards migration from New Zealand to Australia reflect the worsening condition of the labour market here and the widening gap between real wages here and in Australia.

Before 1933, the balance between migrants favoured New Zealand.

A comparison of census data shows that as early as 1861 there were about 2500 Australians in New Zealand and 1500 New Zealand-born living in Australia.

By 1933 there were nearly 46,000 New Zealand-born living in Australia and just over 42,000 Australians living in New Zealand.

By 1978 Charles Price of Australian National University estimates that there were 116,299 New Zealand-born living in Australia and 53,000 Australians living here.

New Zealanders have sought highly-paid positions

in isolated development schemes, often in areas of mineral exploration. In 1976, the proportion of New Zealanders living outside Perth was 42 per cent and the proportion of the Western Australian population living outside Perth was 36 per cent.

When the real average weekly earnings of New Zealand workers are converted to Australian dollars and compared with the real average earnings of Australian workers over the 1972-74 period, and assuming a common basket of goods, the Australian real wage was about 30-40 per cent higher than the New Zealand real wage.

By mid-1975 the difference jumped to about 70 per cent, reflecting the explosion of real wages in Australia and the devaluations of the New Zealand dollar in 1974 and 1975.

Now, the Australian real wage is about 61 per cent higher than the average real wage paid to New Zealand workers. There is mixed evidence about the popular impression that opportunities for employment are greater in Australia than New Zealand.

Unemployment rates are higher for New Zealanders, but duration of residence may be an important factor. Given the recent rapid increase in New Zealand arrivals to Australia, New Zealanders may be more at risk than others, of temporary unemployment, following first arriving.

Australian census data show that until recently New Zealanders were faring quite well in Australia.

Of those born in New Zealand living in Australia, 56 per cent had jobs compared with only 41 per cent of Australians. Of these, 18 per cent of New Zealanders were engaged in professional and technical occupations compared with 12 per cent of Australians.

Some Australians welcome the New Zealand influx, particularly those advocating continued large-scale immigration as a way of developing the country's economy. Others are agitated by the somewhat sensationalised stories of Kiwis on the dole or involved in the drug trade.

The danger to the New Zealand economy from continued trans-Tasman migration favouring Australia is greater than for our neighbour.

As Richard Wood from the Australian Treasury argues in *Trans-Tasman Migration*: "Australia faces the prospect of a further decline in its population growth rate. New Zealand faces the continuing possibility of a further decline in its population level."

This means a smaller number of taxpayers to support the social welfare state we were once so proud of. But a declining population base could have unfortunate economic effects, even if ours was a capitalist economy, rather than a mixed one.

Growth in the population and the workforce create effective demand - demand for locally produced goods and services. When real incomes are falling and when employment growth is weak, the declining population tends to reinforce downward trends in the economy, setting in motion negative attitudes and expectations.

It becomes much harder to undertake risky investments. If incorrect investment decisions are taken, they tend to be more costly and take longer to rectify when there is slow population growth.

So, it is encouraging to see that there is a turnaround in migration trends. Hopefully it is not just a case of so many people having left the country that there are very few left who want to leave.

Now, that population growth promises an increase in effective demand, let's hope that investment increases and the economy begins to recover. Otherwise, the Australian standard of living might begin to improve faster than ours, and New Zealanders will again be tempted to move there in large numbers.

Net loss to New Zealand population resulting from long-term and permanent migration.

Year ended March	Total	No	To Australia percentage of total
1977	19,072	14,810	78
1978	28,708	22,076	87
1979	40,200	27,824	89

Occupational Characteristics, Census 1978

Birthplace	New Zealand	Australia	Total
Total population	89,781	10,828,818	1,548,448
% in labour force	50,388	4,476,481	6,054,984
% in labour force	56	41	45
% in prof. and tech occupations	18	12	10

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New Zealanders have sought highly-paid positions in isolated development schemes, often in areas of mineral exploration. In 1976, the proportion of New Zealanders living outside Perth was 42 per cent and the proportion of the Western Australian population living outside Perth was 36 per cent.

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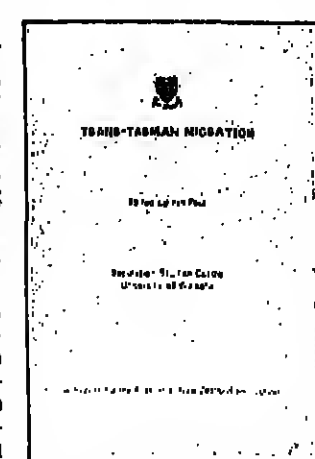
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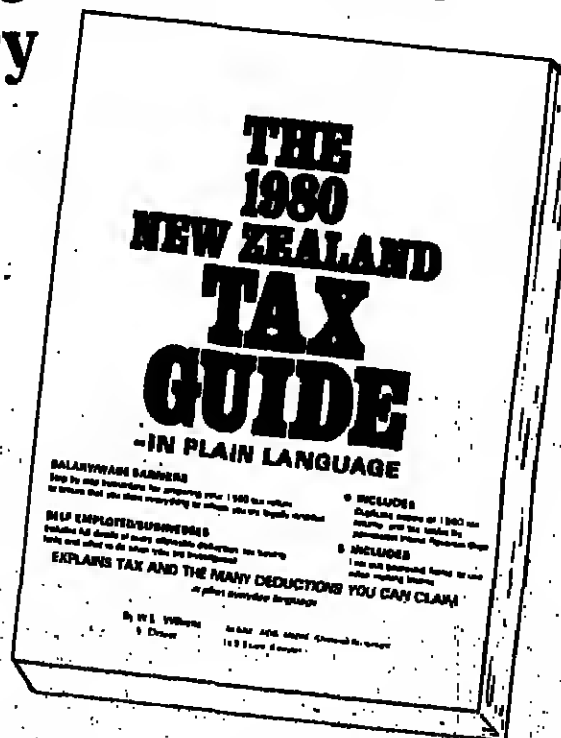
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## Exchange policy provides commonsense response

THE New Zealand dollar will have been devalued by just over 10 percent in a year when the next monthly adjustment takes place.

On budget night, 1979 (June 21) the dollar was devalued 5 per cent, and the system of monthly devaluations came into force.

In the 11 months to May the Reserve Bank's exchange rate index declined from 100 to 95.3, a movement of 4.7. Addition of the budget night devaluation makes a total fall of 9.7 percent. Another 0.5 per cent can be expected in June, which will put the annual figure at 10.2 per cent.

In eight months of the index's operation the Reserve Bank made adjustments of 0.4 per cent. The other three months had an alteration of 0.5 per cent each, giving the total 4.7 per cent.

The new system was explained in the Budget, when

Finance Minister Muldoon said: "From midnight tonight the Government will be implementing a new system designed to halt the erosion of exporters' profitability and to remove uncertainty about major exchange movements by enabling smaller, more frequent changes to be made."

"If New Zealand costs move faster than those of our trading partners, the value of the dollar will be progressively adjusted to offset this movement. This will ensure that, in future, exporters' profitability and real incomes are not eroded by local inflation."

"Structural adjustments of the economy to changes in our international trading relationships may also require changes to the exchange rate additional to those indicated by relative price changes. It is the Government's intention that any discretionary ex-

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

change rate changes should also be made in small steps in order to avoid dislocation to trade and commerce."

The 10 per cent devaluation to the end of June, 1980 is only part of the story on what has happened to the dollar's value relative to other currencies. That devaluation is based on comparisons between our internal costs and other countries' inflation rates under the formula used in the Reserve Bank. Changes have been much larger in the "free" market depending on the particular currency.

In the week before the 1979 Budget, the New Zealand dollar was quoted in London against sterling in the range 2.0030 to 2.0090. Last week the

range was 2.3735 to 2.3785, a movement of 18.5 per cent.

This change is related to the strength of sterling over the past year, relative to other major currencies.

The New Zealand situation in relation to the US dollar is different. In mid-June, 1979 (the week before the budget), the rate was in the range 0.9510 to 0.9535 - expressing our dollar in US currency.

Last week the New Zealand dollar was in the range of 1.0134 to 1.0144 for each US dollar.

The movement in that case is 6.56 per cent over the year, but it varied considerably in the 12 months period.

The US dollar has been unstable in 1979-80, for many reasons. It fell in relation to other currencies for several months as the administration got further into an economic mess and the gold and silver markets went berserk.

New monetary policies improved the exchange relationship, but recently the announcement of a record 4.8 per cent decline in the country's leading economic indicators pushed it down again.

The Reserve Bank's system of averaging our exchange rate cushioned the effects of these wide fluctuations among sterling and the US dollar.

Under the previous system of a trade weighted basket of currencies the events of the past year would create uncertainty for exporters and importers. The small adjustments to the rate, plus the extended forward exchange cover now available from the Reserve Bank, are a much improved system from that which previously operated.

Reserve Bank Governor Ray White titled a speech *The new exchange rate policy - a commonsense solution to a*

business problem when talking to the Auckland branch of the Institute of Directors in August, 1979.

White said: "The Budget provided a satisfactory level of profitability for exporters, a scheme for setting future exchange rates which will avoid erosion of that profitability by unfavourable relative price changes, and, finally, a comprehensive system of forward cover to help counter the effects on New Zealanders of fluctuations in exchange rates in overseas markets. I think you will agree that these are commonsense responses to practical business problems."

The combination of policy changes appears to be having the desired effect. Importers and exporters would experience severe attacks of the shudders if the previous systems operated over the past year.

There is still debate as to whether the New Zealand dollar is overvalued, with some observers calling for a substantial cut in its value. That is another question, the answer to which does nothing to invalidate the greater certainty now available to traders in our overseas markets and sources of supply.

## Odlin shares make

WELLINGTON-based Odlin Ltd reported a solid improvement in the second half of the year to March 31.

The forestry, timber, builders supplies and electrical group increased profit in the second six months by two thirds over the corresponding period of the previous year, after net income in the first half went up from \$1,767,264 to \$1,859,711.

The figures for the full year including capital profits, were about 31 per cent higher than in 1979-80. The company has attracted sharemarket interest in the last two months, with a

substantial rise in the number of shares traded.

Share turnover in the ordinaries was 948,200 in the five months from November to the end of March.

Buyers then lifted their activity. They bought \$29,000 ordinaries in April and \$57,600 in May, making a total of \$1,386,600 in two months. A large number of specified preference shares were traded in the same period.

The ordinaries which changed hands in April and May account for 5.3 per cent of that capital.

## Politics

Continued from Page 9

guins have been more likely to be young people than have the gains of the other parties.

(Note that in tables 1, 2 and 3 people below voting age, 15-17, are included. In the present poll, these people cannot be eliminated. In any case half will be old enough to vote by November 1981. And it is extremely unlikely their removal would reverse the table 2 finding.)

Labour has also more often than not numbered a higher proportion of young voters amongst its "loyals" than has National (table 3). Loyals are those who voted for a party in 1978 and told the poll interviewer they would vote the same way again.

Social Credit "loyals" have been more likely than Labour's to be young. But "loyal" Social Crediters have numbered only around a third of those of each of the two main parties, so overall Labour has the support of more young voters than the other two.

For the over-55s, table 4 tells the reverse story. There National outstrips Labour among "loyals" and in recruiting "gains", though Social Credit appears to have

been most successful at winning old converts.

Table 5 tells what has been happening in the transition ages: 25-39 when stable voting patterns are beginning to emerge and 40-55 when voters settle down for approaching old age.

In the 25-39 group the three parties have shared gains, but only apparent trend being a decline in Social Credit's gains. In the next group, however, Social Credit has been a clear leader and National has been a much better recruiter than Labour.

Is it in this age group that Social Credit has been picking voters off Labour?

Consistently this year, as in past years, the Heylen poll has shown Social Credit taking more from Labour than National.

And tables of voters switching allegiance from the three main parties have shown more often than not Labour more likely than the other two to shed voters in the 40-54 age group.

Perhaps it is the inevitable right wards stimulus of advancing age. If not, it is food for thought for a Labour Party that is becoming more radical in defence of its ideology.

## Big councils persist in local body breaches

THE Controller and Auditor-General's report reveals an extraordinary state of affairs among many of the country's local bodies.

Under "persistent or serious breaches of law" the report says audit reports issued in 1979-80 "continuing references to persistent or serious breaches of law" with comparative figures for 1978-79. The table shows that analysis.

	1979-80	1978-79
A Failure to file within income tax return	20	19
B Failure to provide for ordinary obligations of the year out of revenue for the year (section 23, Local Authorities Loans Act 1958)	14	18
C Short-term borrowing in excess of statutory authority (section 20, LAL Act)	25	37
D Loan and other special fund money not separately banked or invested as required by law	4	1
E Loan money raised or used otherwise than in accordance with loan sanction	10	23
F Borrowing without or in excess of statutory authority	3	7
G Expenditure without or in excess of lawful authority	18	20
H Money held in investments not authorised by law	5	2
I Rating matters	4	9
J Miscellaneous statutory breaches	101	134
Number of authorities	82	85

The citizenry can take comfort from the decline in both the number of breaches and the authorities committing them, but given the degree of self-importance which the denizens of various town halls bestow on themselves, particularly when throwing their weight around on trivial control of the public, we are entitled to ask what the hell is going on?

The report has a special section on the Ohakune Borough Council.

It reads: "At page 22 of last year's report, reference was made to the late presentation of accounts by this council. Accounts preparation has been brought up to date during the year but the following comments were included in the audit reports:

(a) Due to the absence of significant accounting controls over real estate, it was necessary to increase substantially beyond what would normally be necessary, the number of examinations and tests (1975-76, 1976-77, 1977-78).

(b) Failure to live within income (1976-77, 1977-78).

(c) Short-term borrowing in excess of statutory authority (1977-78).

(d) Loan and other special fund money not separately banked or invested as

required by law (1975-76, 1976-77).

(e) Loan money used otherwise than in accordance with loan sanction (1978-79).

(f) Misapplication of special fund money (1977-78).

(g) Rating matters (1976-77, 1977-78).

Appendices to the report give the names of the local authorities where the audit reports contain "references to persistent or serious breaches of law".

It is interesting to note that the largest local authority (in terms of population within its jurisdiction) seems to be the Oamaru Borough Council. Others include the Green Island, Greytown, Havelock North, Paiea, Taihape, Dargaville, Richmond, Motueka, and Port Chalmers Borough Councils, and a string of county and town councils of various sizes.

There is no city council on

the list, nor are there any huge councils which are part of a large urban area as in Greater Auckland, for example.

That raises the question whether sloppy administration is related to the size of the authority, and consequently its ability to attract competent staff within its appropriate salary structure, to the people who sit on the council or board, to the geographical remoteness of the authority, (which would possibly affect its attractiveness to staff), or to a combination of these and other factors.

Whatever the reasons, a few things are clear.

In the local authority area people have done things which would not be countenanced among professional or business organisations, whether through ignorance, sloppiness, or desperation. This applies particularly to

the headings "loan money raised or used otherwise than in accordance with loan sanction", and to "loan and other special fund money not separately banked or invested as required by law".

In view of the uproar which accompanies similar matters when they involve solicitors, for example, it is surprising that little is heard about local authorities. Perhaps the citizens are resigned to messes in their respective parishes.

If they feel disturbed about the situation their opportunity to do something is only a few months away - when the local body elections are held.

That might affect the elected representatives, but will do nothing about the administration, a matter which applies throughout the political system up to central government.

You can get rid of the elected, but try to do something about the appointed.

# Benevolent Dictator!

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# Sunday supps advertising sorts sheep from goats

by Susan Glascock of the Financial Times

A browse through the colour magazines given away with Britain's "serious" national Sunday newspapers provides an insight into a peculiarly British form of marketing.

Britain's "direct response" selling industry — the sale of expensive goods through advertisements with order coupons — is probably more developed than in any Western country and the market continues to expand rapidly. Some observers are speculating whether the bubble is about to burst and whether the economic downturn will bring a shakeout in the £350 million market.

A glance through the "Sunday supps" (colour supplements) reveals the lively tempo of direct-response selling. On almost every page the reader is invited to fill in a

coupon, send off a cheque or phone through a credit card number to receive goods designed to appeal to every taste: silk shirts, watches, cast-iron saucepans, children's clothes, hi-fi equipment — the choice seems unlimited.

It is an "up-market" business. Other countries may have bigger mail order markets but the exploitation of British colour-supplement journalism to sell expensive products is unique. The British Direct Marketing Association estimated the size of the market to be £350 million, or 14 per cent of total mail order sales.

The problem facing the industry is that the jura is spread too thinly. The success of the leaders has tempted many of the smaller companies, who are often under-capitalised, to try their luck.

Ryman's, part of the publicly quoted Burton tailors



group, entered direct response two years ago with a company called Postle Haste. Chief executive Mike Kemp compares current conditions with the electronic calculator boom of a few years back: "There was tremendous mass market explosion then, with some 50 or

60 different companies selling calculators. But now only about nine remain and I think the same sort of thing will happen in direct response selling."

The head of the Tarnpoint company, which acts as a wholesaler in the business, took a similar view. Tihor Szabo said: "The business was treble during the 1980s, but at least half the people who start out will fall by the wayside."

Szabo said that virtually anything can be sold by direct mail. "People don't want to drive 64 kilometres to a shop and then find the item they are looking for is not in stock." Nevertheless he reckoned that too many companies had taken note of the advertisements in the colour supplements and thought it was an easy way to sell.

"But it takes years to learn," Szabo said. "A lot of the art is in product presentation, but

there are also a lot of administrative problems: you have to maintain the right stock position and so on. Anyone who wants to be successful needs professional help. The big people can afford to make mistakes but the small person who goes in and makes one mistake is in trouble."

Many of the smaller companies probably do not understand the business strategy which the market leaders adopt. At first sight there seemed to be no reason why a small company should not do as well with their advertisements as the large concerns, provided they have an attractive product.

Direct response was being used as just part of a much wider operation — known in the trade as "the front end". Boh Scott, who heads the successful Scotecade company, is quite frank about the fact that the bulk of the company's profits, which are expected to reach the £1 million mark this year, come not from the direct response side but from the mini-catalogue known as the "back end" which he sends out to past customers.

This is 30 pages long and features the same offers that appear in the press. In effect the colour supplements are being used to build a mailing list.

Most direct mail experts are happy with a 1 to 2 per cent response rate but the Scott company can get as high as 9 per cent with its offers.

The key is that, unlike a mailing list gathered at random, this list represents satisfied customers.

Both Kaleidoscope, which comes under the umbrella of newsagents W H Smith, and Ryman's Postle Haste admit to such a strategy. It gives these established companies a tremendous advantage over the smaller concerns, who cannot follow suit because they lack the range of products.

It is also bound to reinforce the public's tendency to buy from companies they know. By giving them recourse to a wider market than that

provided by the colour supplements on a certain day also enables the bigger companies to keep their goods down through economy scale.

This can be all-important when at any one time there may be as many as four separate offers for a single item.

Comparison of prices often show a difference of as much as 25 per cent between virtually identical products. Where this happens the company offering the higher price can lose. Not surprisingly, many companies were advertising before Christmas, have dropped out of the race to make way for other hopefuls.

Although the sales are hotting up, the industry is confident the mail order business will continue to grow, although heavy pressure of advertising in the colour supplements is expected to be a brake on the growth of different kinds of products, such as insurance, clothing and furniture he sold in the past.

Kemp said that the direct response side of the business could revolutionise the whole situation. The television itself is not suitable: people have to use pen and paper to order. A telephone number is needed before a disgruntled customer can be reached.

With videodata customers will be able to view the screen for as long as they like. The technology of television is giving a print-out which would make ordering easier.

All this is for the future, the meantime, and in the meantime, most of the goods sold imported, foreign manufacturers are set to provide the expansion prospects. Kemp has his legal advice working on ways to get to West Germany's unfair competition laws which make it illegal to advertise discounted goods. They are also looking at the possibilities elsewhere in Europe, as well as active searching for a suitable acquisition in the United States.

# Junk food seems to be what other people eat

by Belinda Gillespie

THE whole-cloth lobby when Health Minister George Gair delivered a message of processed food to a meeting of nutritionists the other day.

Gair, now rumoured to be "Mr Pacific" of an international junk-food chain, made no reference to the health properties of his products, and even admitted that some of them were "junk".

Others believe that this may be the first move in a strategy designed to extend the junk-food empire, and that the government's health department is being outmanoeuvred.

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Business sources believe he is in collusion with the Dairy Board in its attempt to move south with its flavoured milk product, "Flop".

"Flop", which undergoes a secret Swedish process, UHT, at a heavily-guarded treatment station in Takanini, is credited with hyperactive as well as addictive properties.

Experts admit they are puzzled at its unexpected effects on the greater Auckland market, where it has so far met total consumer apathy.

Gair may have overplayed his hand in going public on junk food. Threats have been made by operators whose activities have up till now been protected by the tacit acceptance of Health Department officials.

"I'll have him for mince-meat," sneered the proprietor of Big George Family Pie Parlours. He has calculated that extending Gair with textured vegetable protein and mixed vegetables, would provide the filling for at least 1800 of his crusty golden products.

The effects of junk food are even worse than was previously believed, according to the latest reports in *Switpol*, a leading medical journal.

"Rats who are fed junk food develop a craving for alcohol," the journal said, and the same may apply to humans.

American scientists fed junk food including hot dogs, fizzy drinks, sweets and breads to a group of rats. Another group was fed on nutritious wholesome foods such as vegetables, nuts,

fruit, wheat flour and whole milk powder.

Each rat was then offered a choice of two liquids — plain water or alcohol.

The rats on the wholesome food preferred plain water. But the junk-food rats went wild for alcohol. They drank even more when coffee was added to their diet.

The junk diet was grossly deficient in vitamins. Scientists found that if they fed the junk-food rats a vitamin supplement, the craving for alcohol was reduced.

It appears that junk food is something that other people eat. Adults think children eat it. Dentists say anything with sugar in it is junky, while health units, anything which has been refined, processed, contains additives or comes in a packet is junk food.

Fillet steak is junk food, according to those who deplore the practice of raising

beef on land which could feed many more hungry people if it was planted in wheat, potatoes or beans.

The Americans have reinstated some of the foods which were dismissed as junk a few years back. Pizzas, hot dogs and hamburgers are now called "old favourites", and the term junk is reserved for foods of low nutrient value but high energy content.

By this definition, as New Zealand *Consumer* recently pointed out, the alcoholic drinks consumed by adults in ever-larger quantities are supreme junk food.

Junk food has become a term surrounded by thinking which is mythological rather than critical.

"Most so-called 'junk foods' are made out of potatoes, corn, rice, wheat and sugar and I see nothing junky about any of these foods," said Harvard nutritionist Frederick Stare.

Others point out potential problems of over-consumption of highly processed and fast foods — lack of fibre, of vitamin C, too much fat, sugar, salt and chemical additives are the usual objections.

The same can be said for an over-emphasis on any one food — you'd do better on a desert island on a diet of oranges — yet oranges are held to be healthy while hamburgers are rated as junk.

Variety is the key, and the occasional or even fairly regular use of fast or convenience food can be accommodated within a diet which offers a wide range of other foods as well.

Blaming today's epidemic of degenerative diseases on processed food is illogical at the victims are middle-aged and were brought up on Mum's home-cooking, long before McDonalds and Ken-

ucky Fried got their fingers in the fast-food pie.

While the nutritional effects of junk-eating are a matter of conjecture, of more concern to some is the replacement of the shared family meal by a five minute scramble in the back of the car, and the total irrelevance of "once-prized manners" to such an event.

The greedy use of energy and resources by many processed foods, the proliferation of paper and plastic is an even bigger black mark.

The visual quality of the structures put up by the fast-food chains gives architects a pain in the neck, and gourmets get indigestion when confronted with the monotony of the fast food diet.

All adds up to a way of life which is ordinary. New Zealanders are embracing with cries of joy, never mind who thinks a day of reckoning has to come.

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PO 195



## A look at the future

by Greg Wiggs

LINTAS chief Dave Murphy is back from an in-house conference which brought together 100 of the Lintas top brass from around the world and a sprinkling of key executives from the holding company, Interpublic. It was held at Skyscraper, Pennsylvania, a locale as remote as it sounds.

The conference looked at the future and came up with some prognostications which, if fulfilled, would have far-reaching effects.

The present recession will deeply affect spending patterns and the big ticket market supported by discretionary spending power will have problems. Luxury products, such as America's dinosaur cars, will be hit. The battle for market share will be hard fought in the basic utility and foodstuff lines.

As a concomitant, the advertising pitch will undergo a change. In the tough times of the 1970s copy went hard sell. Now, the emphasis will swing back to a more creative approach which poses a problem.

Just when advertising needs spare creativity, it finds itself short of manpower due to the lack of recruitment in the 1970s when agencies were busy clipping expenses to cope with escalating costs.

The conference foresaw a growth in internationalism with more international products, more international advertising. Economics of scale would bring down pressures for the use of global advertising presentation and umbrella advertising strategies at the expense of localised creative thinking.

At the same time, agencies would tend to grow by accretion throughout the world, the big getting bigger.

Interpublic, the biggest advertising agency conglomerate

in the world now handles 3 per cent of the world's total advertising business. Before too long, the top four or five international agencies could be handling 10 per cent of the total and this would grow.

To be sorted out are the problems inherent in the ramification of entertainment media and the future role of advertising in the mix. With the emergence and growth of cable TV, television superstations, the videotape and videodisc industries added to existing TV networks, the entertainment industry is in need of the basic advertising product to finance its development.

Meanwhile, agencies and businesses in need of global communication will soon be turning to face-to-face satellite communication instead of expensive and exhausting jet travel.

To welcome the new decade under its new management, Lintas has undergone a name change to SSCB: Lintas Worldwide.

Interpublic, the biggest advertising agency conglomerate

## MacHarman international

ON June 1, MacHarman Advertising will change its name to MacHarman ABH International following the purchase of a substantial minority shareholding by ABH International.

ABH International is jointly owned by N W Ayer, ABH International, America's oldest agency ranked 13th there in 1978, and Charles Barker ABH International, United Kingdom's oldest agency which held fifth place in Great Britain in 1979. Charles Barker has had business links with agencies here for many years.

ABH International, with 31 partners and associates around the world, billed \$604 million last year and ranked 17th among the international agencies.

MacHarman was founded in 1963 in Auckland, has a sales promotion subsidiary there and a branch in Wel-

lington and posted billings of close to \$4 million last year. MacHarman handles the Pan-American Airways account which is an ABH International client worldwide. Other clients include Pyc, Reckitt and Colman, Alex Harvey Industries, General Foods, Cooks Wine and Limes Schweppes.

Commenting on the move, Bob Bolton, managing director, said: "This partnership will give us the support to grow locally and the system to handle sophisticated international clients, while leaving policy decision-making right here."

## ANZA slams conflicts

A PLEA for rationalisation of television research has been made on behalf of its organisation by Colin Mortensen, president of the Association of New Zealand Advertisers.

"Although we are not the prime users in the sense of interpreting market research data in terms of media planning," he told *Admark*, "we are closely concerned with the results presented because the final buying decisions rest with us."

"We basically need actionable research data and we suspect that we are not always getting that. It sometimes appears that research is being used as a propaganda tool, showing off media to its best advantage, rather than as an instrument for fact finding. Some research results are downright misleading."

The result of the conflict between BCNZ and McNair research has been to erode confidence in the whole business of media research. "There is considerable cynicism and general distrust of research results," said Mortensen.

"When it comes to programme ratings, there is a tendency to discard conflicting results and rely on hunches and prejudice, re-

sulting in a decision by intuition."

"Responsible agencies are also concerned about wasteful duplication of effort which we estimate costs \$250,000. This is a travestical situation in a country with limited resources and relatively few media opportunities."

"We have no professional who should produce a primary data but we do then know that it would be consistent and comparable. Money that was saved could be ploughed back into qualitative studies."

"We simply want to see a standard research specification producing a reasonable research data. Countries have arrived at a point. It is time we gave research houses in order."

## Marc to guide research

ADD to your list of agencies used in the advertising business that of MARC Media Research Council which held its inaugural meeting on April 1.

On its list of representatives from ANZA, TVNZ, NZ, the 4 As, IBA, a group of small business consumer magazines and NPA has an observer's attendance.

The council was inaugurated in order to set basic research and public relations and practical limitations of research which would conform to the best standards and yet recognise practical limitations of cost.

"Audience and media research, because of its high technical nature, tends to be misreported or misinterpreted," Jim Belich, ANZA chairman, told *Admark*. "One of our jobs is to attempt to prevent this and one way is to establish a common specification."

# Fuzzy craze leaves Feltex short of wool to fluff

by Lindsey Dawson

PEOPLE are looking a bit fuzzy around the edges, as a craze for brushed-wool hand-lins sweeps the country.

It has resulted in a sales boom for Feltex's Thorobred Wool, which have been plying their cashmere and pure wool brushed yarns to the eager knitters of the land. But it is also resulting in a dogged switchboard at Thorobred as peeved shopkeepers

and knitters ring up to beat about the lack of brushed wool supplies.

It is not that the firm is spinning its yarn, or pulling the wool over its eyes. According to Thorobred marketing manager John Flynn, they have got four machines working 12 hours a day brushing up on their orders.

"The brushed wool look has been very popular overseas, and we expected a big demand here, but we do find ourselves

a little embarrassed right now," he said, dare we say, sheepishly.

There was a delay between Thorobred setting up its brushing machines and the arrival of the raw materials to be processed into cashmere, an imitation mohair yarn. But lying around was some four-ply stock — so rather than have the plant lie idle, the company experimented on teasing the four-ply into the soft and fluffy look. The results were good

and Thorobred included brushed four-ply patterns in its new season's releases.

It printed a glossy, five-pattern, free knitting booklet which was inserted in the *NZ Women's Weekly*, plus another run of 100,000 as giveaways on wool shop counters.

Brushed four-ply left the shelves as fast as it came in. "We could brush anything and sell it right now," says Flynn. In the meantime, the

raw material for making the Kashmir brand arrived and had to go onto the brushing machines.

"That's very popular too, so unfortunately customers who want four-ply have to wait". Thorobred hopes to have full stocks available again by the end of June.

In the meantime it is having to give inquiring knitters a polite brush-off. Which must be about the most frustrating situation, had none, that a

wool-selling firm can find itself in.

Knitters will probably have to pay more for the new supplies of brushed four-ply, as the raw materials will be more expensive than the old stocks the company used for the first batch.

To charge the same price for new commitments would not be profitable — and, after all, it would not do for the public to be fleecing the manufacturers!

## The Australians

## Small business sector singled out

Melbourne Correspondent

A STUDY into small business in Australia conducted by the Corporate Services of Melbourne has produced some unexpected results.

It revealed that there are 70,000 separate business enterprises operating in Australia.

The managing director Phil Rutledge, said he was "amazed" by the importance of the small business sector in Australia, which accounted for more than 40 per cent of the sales generated in the domestic market each year, and more than 50 per cent of the profits generated in Australia.

In comparison, the big-business sector contributed about 34 per cent of the nation's total sales turnover and the Government sector.

25 per cent — making small business the single most important sector of the Australian economy.

Medium-size businesses, defined by the study as those employing between 10 and 100 persons, total about 50,000.

Together, small and medium-size businesses employ 60 per cent of the workforce engaged in private business.

More than 700,000 small businesses employ fewer than 10 people — with more than two thirds being involved in three main areas: agriculture, wholesale and retail trade, and construction.

But Rutledge warned that it was in these areas — traditionally the preserve of small businesses — that big business will mount its most vigorous challenge in the 1980s.

The study reports a marked rise in the number of self-employed persons in Australia in the past year — about 70,000 — which it attributes to high unemployment.

It reports that tax evasion may also be another significant factor.

"The increase in tax evasion reported by Treasury and the growth of the cash economy suggest that increasing numbers may be working on their own account — albeit part-time — rather than accepting full time and fully taxed employment," the study said.

If all those kinds of self-employed persons were included as enterprises the total of small businesses in Australia might well be nearer 1 million, the study concluded.

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# Indigenous forest review — protracted, repeated,

**ENVIRONMENT** Minister Venn Young announced last month that plans were under way to merge some Government advisory councils — in particular, the Nature Conservation Council and Environmental Council.

The Nature Conservation Council was established to examine and advise on specific conservation issues. The Environmental Council is concerned more with broad environmental policy. Its working parties have produced policy documents on nuclear power, waste recycling, urban affairs, land use, population, freedom of information, energy, indigenous forests and others.

In 1978, the Environmental Council was asked by Young to review the indigenous forest policy and its implementation. Its report, presented at the end of 1979, approved the goal of the indigenous forest policy (which is in general to perpetuate the area of indigenous forest both as natural and managed stands).

It observes that the resource is still being depleted (and that

the goal therefore is not being achieved) in two ways:

- In the continued conversion of indigenous forest to other land uses through existing contracts. This is happening mainly on the West Coast although there are areas in the central North Island and elsewhere.

- Not by loss of area, but by loss of volume of the stand. This is critical in the dense stands of lowland podocarp forest in the central North Island. Selection logging in these virgin stands is experimental and aimed at avoiding the decrements in volume brought about principally by windthrow.

The report concluded that, because of the doubts about the sustainability of selective logging in these stands, forest management plans should set aside more reserves to ensure perpetuation of the forest.

It reached conclusions about reserve philosophy, research proposals and the use of timber, and recognised the social importance of forestry in regional economies.

The composition of the

**ENVIRONMENT** Minister Venn Young asked the Environmental Council in 1978 to review the Government's indigenous forest policy and its implementation. The council's report was presented late last year.

It advisory councils are to provide any distinctive contribution, over and above the advice of Government departments, they should be independent, critical and informed. Just how independent, critical and informed was the Environmental Council in responding to the Minister's request?

In this analysis of the report's preparation, the Rev John Howell, convenor of the council's working party, shows how an advisory council operates and the constraints under which it works. His study examines the extent to which the Environmental Council depends on Government departments including the Commission for the Environment — and how an investigatory report is used in decision-making and in public debate.

The working party set up by the council to study the indigenous forest policy reflected the principle that relevant information should be drawn from as wide a source as was possible.

Initially, the working party was assisted by I G Crook, from the Wildlife Service (later replaced by K R Hackwell from the DSIR Ecology Division).

The divisional director, Dr J A Gibbs, described the in-

ternational significance of our forests, and advised on research matters.

The Forest Service provided expertise and manpower, both in the working party's deliberations and on the field trips.

At all stages in its work, the working party had information from two separate, independent departments. The itinerary and guidance around the forest on the field trips was also well balanced.

Information critical of current policy or practice came mainly from sources other than the Forest Service — the environmental organisations. The working party concluded that this information was reliable.

Information becomes significant as it tests value judgments and interpretations. The information we seek and select reflects the questions we ask, which in turn arise because of the values we hold.

Where a Government policy has been largely shaped by a Government department, it will reflect the department's set of values. If an inquirer asks that department for information, he will receive information consistent with those values and that policy.

There is nothing sinister in this, but information received from only one source will provide a less than complete picture.

During the protracted discussions when the working party reported to the council, Forest Service deputy director-general A Kirkland often tabled new information for the council without the scrutiny of the working party. The council was unable to check it.

Views expressed by the DSIR were received with hostility, and the council thereafter accepted Forest Service information without cross-examination — even though this new information was later modified in discussion with the DSIR scientist.

The report was agreed to during the late September council meeting, but its final release was delayed two months by the Minister of Forests requesting the addition of new material.

The working party's report was taken over as the basis for the council's report. Continuity between the working party and the council was maintained by the working party convenor and Professor Lister.

The commission's appraisal included no analysis of the scientific or environmental importance of the forest internationally or nationally.

The commission's appraisal included no analysis of the scientific or environmental importance of the forest internationally or nationally.

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# edited and finally overridden

April 28 1978:

Working party of the Environmental Council established to examine council's forest policy. Rev John Howell (convenor), Professor Lister, Meera Holdaway, Farnham and McDonald served by Mr Crook (council's scientific investigating officer).

May 26:

Minister of the Environment (Venn Young) requests Environmental Council to examine implementation of indigenous forest policy as applied to remaining North Island forests.

August 7:

Minister of Forests (Venn Young) announces new policy for central North Island state forests.

September 15:

Dr Gibbs, Director Ecology Division, OSIR, and Mr Kirk, Treasury, join Environmental Council working party (Kirk leaves Treasury and working party in January 1979).

March 28 1979:

Forest Service representative on working party suggests Forest Service withdraws to give the working party independence in reaching its conclusions.

March 30:

Forest Service deputy director-general A Kirkland replaces Farnham on the Environmental Council. The council recommends that the Forest Service remain on the working party.

April 22:

Crook leaves the Environmental Council. He is replaced on the working party by Hackwell, DSIR scientist.

April 29:

Environmental Council agrees "That until approval is given to the Whirinaki management plan, the Environmental Council urges the New Zealand Forest Service to examine alternatives to logging in the high density podocarp area".

July 27:

Working party report presented, discussion in committee. Minister attends part of discussion. McMeahon, Environmental Council executive officer presents edited version of the report.

August 1:

At special Environmental Council meeting a committee of McMeahon, Hackwell and Howell asked to tidy up aspects of report.

August 24:

This committee agrees to the report (excluding conclusions).

August 31:

Three hours spent discussing one page of report in Environmental Council. New information on West Coast reserves tabled by Kirkland. Council authorises Thom (chairman), McMeahon, Kirkland and Howell to finalise report and transmit it to the Minister.

September 4:

Commission for the Environment publishes a separate appraisal on Whirinaki.

September 7:

Hackwell invited to Environmental Council meeting to comment on the new material. Kirkland is hostile to his presence. Hackwell finds mistakes in the material. Again whole report is discussed, an amended report is circulated.

September 20:

Thom, McMeahon, Kirkland and Howell discuss report. Hackwell is requested to be absent. Fundamental disagreements reached on Whirinaki.

September 27:

Environmental Council vote on Whirinaki. Majority (six to two with three abstentions) support Whirinaki conclusions advanced by working party. Minority support conclusions advanced by Forest Service.

October 14:

Thom confirms report and its transmission to the Minister.

October 28:

At Environmental Council, Minister requests report include specific reference to West Taupo forests. Public release delayed.

November 28:

At special meeting extra paragraphs on West Taupo added. Release delayed until full Environmental Council agrees to new additions.

December 8:

Prime Minister announces caucus decision on Whirinaki, which is a slight modification of Forest Service proposals (exotic substitution in five instead of 12 years).

December 7:

Environmental Council agrees on West Taupo additions, and finalises the report. Hosking (deputising for Kirkland) states: that factual content is correct.

December 11:

Environmental Council report is released for public discussion.

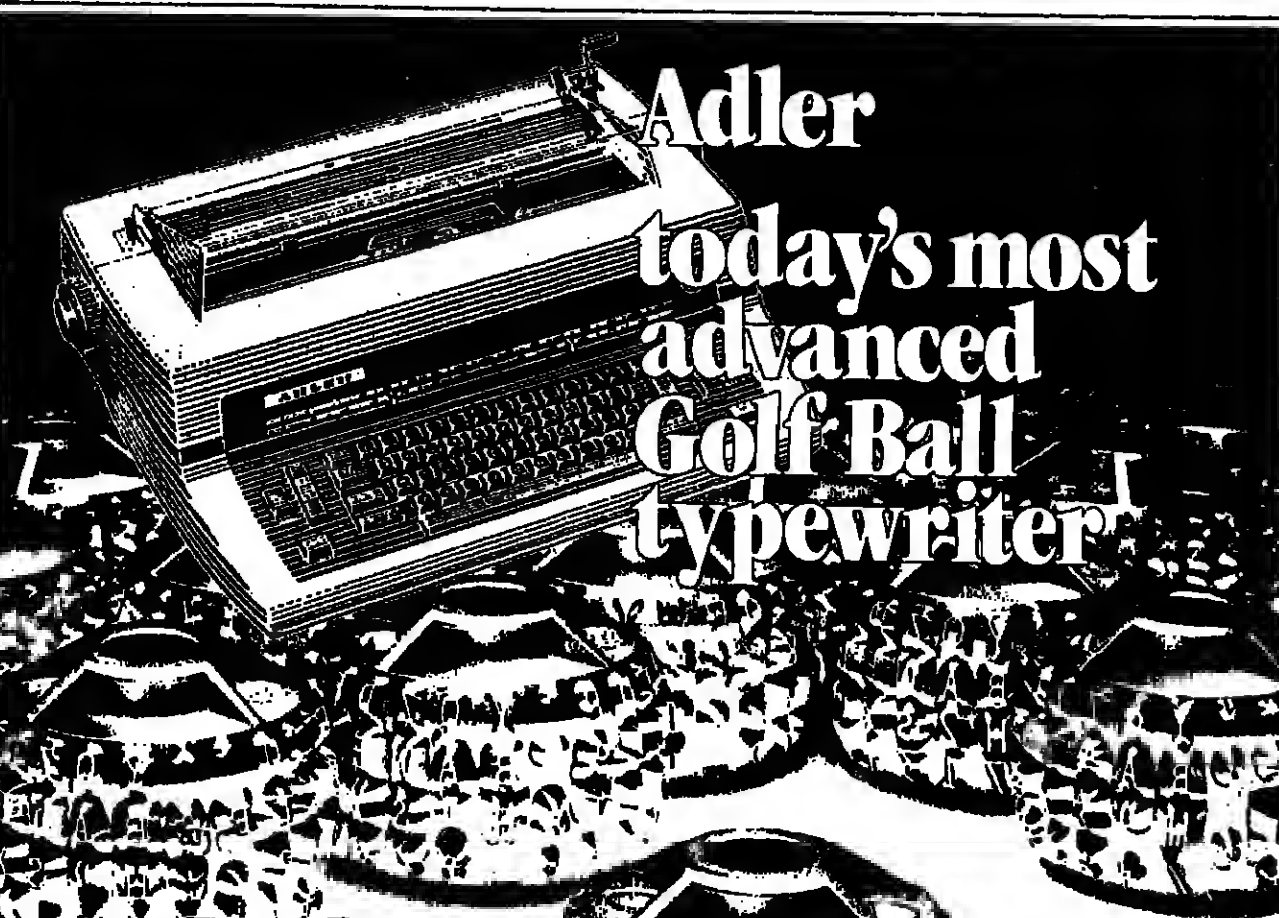
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# Advisory council constraints hinder independence

IF an advisory council is to function as an informed, disinterested and independent body, then it must maintain independent sources of information and relationships with Government departments.

The Environmental Council's major source of independence comes from its membership. While the inclusion of *ex officio* Government servants as a minority is useful in keeping the council informed about departmental thinking, it does compromise independence.

There are three ways of avoiding this:

- Balance the Government servants by appointing more people closely connected with environmental organisations.
- If the Municipal and Counties Associations can nominate members, why not ECO or other major environmental groups?
- Make the working party

independent by having a membership with diverse views. But, working party members can hardly be expected to work long and hard to reach conclusions which are then so watered down by the council as to become unrecognisable. The relationship between the working party and the council, is then, the problem, as this study has shown.

- Have no Government servants as council members. The council would then have to seek information from Government departments as it does from other sources.

The case history shows how the working party's report may be influenced; by being delayed by protracted and often repetitive discussions, and by bringing in "new" information; by being edited by the Environmental Council's executive officer; by removing a DSIR scientist from the

ESTABLISHED by Cabinet in 1970, the Environmental Council is a non-statutory body whose members are appointed on the recommendation of the Minister for the Environment. At present they are: Te R. K. Bailey, L. G. Brown, Dr B. W. Christmas, A. Fitzgerald, J. A. Haywood, Rev J. A. Howell, J. Kennedy-Good, A. Kirkland, Professor R. G. Lister, P. H. C. Lucas, C. J. McKenzie, R. G. Norman, G. K. Stephenson, D. A. Thom (chairman), T. J. Thomson, D. Winstone.

The functions of the council are outlined in its terms of reference: To advise the Minister for the Environment on such matters as he may refer to it and on such matters as the council may raise itself on the state and trend of the environment and on measures to be taken to manage it.

- To publish from time to time such information upon environmental problems as the council considers necessary to serve the public interest;
- To co-operate with other sector councils in matters of mutual interest; in particular, to provide the Planning Advisory Group with information, forecasts and data arising from the above, and requested by the group, to enable it to carry out its functions.

A secretariat provided by the Commission for the Environment services the council which meets each month in Wellington.

discussion, especially when new information was tabled; and finally, by the commission publishing its own separate submission.

What then is the use of an advisory council? In making decisions affecting the environment, the Government needs environ-

mental advice, and it needs advice from economic, engineering, agricultural and other sources.

The Commission for the Environment acts as another Government department, ensuring that such advice is received by the appropriate decision-makers.

Any other advisory body needs to be detached from this routine and to offer something else that is distinctive.

There is something to be said for taking a group of people, who are not Government servants but are committed to the environmental cause, and providing them with the resources to give the Government informed, critical and independent advice on environmental matters.

The alternative is to provide environmental organisations themselves with the resources to give such advice.

Either way, the Government could use the advice in making decisions, and so diminish conflict and protest.

This distinctive role of an advisory council could only be effective if it were independent of Government servants serving the Government.

Because members of advisory councils, such as the Environmental Council, work in an honorary capacity, the Government gets its advice very cheaply. It might take that advice more seriously if it had to pay for it at a realistic rate.

Any attempt to rationalise the structure and role of advisory bodies from economic motives should not forget this: any service, or the price paid for conflict resulting from poor decisions.

Prevention of environmental degradation is much cheaper than repair.

If the independence of the council is to be assured, then its membership, its relationship with the Commission for the Environment and other Government departments, and their control over the release of reports to the public, all need examination. This last matter is vital for independence.

While the Environmental Council's discussions were still in progress, the caucus was having simultaneous discussions with the Forest Service.

The Minister for the Environment was reported on the radio as saying he had pre-

## Lawyers' livelihood

ACCIDENT compensation has been no compensation for some lawyers who used to specialise in injury claims.

In the last 18 months, several Auckland lawyers whose experience in the field became of little use in New Zealand, have crossed the Tasman to practise in Australia.

Meanwhile, employment opportunities for young law graduates are still thin on the ground. A recent survey of the Auckland scene, showed that only half of those who finished law courses in 1978 had jobs in law offices a year later, the rest taking jobs in other fields or going overseas.

In response to this situation, the Auckland Law Students' Society has set up a register to place unemployed graduates. President Merleina Burnett said the register freed employers from the harassment of continuous door knocking from hopeful graduates.

sented the findings of the Environmental Council's examination to the caucus of the Cabinet.

As the council's final report was not submitted until after the Government had made decisions, it would have been fairer to say the Minister presented his version of the Environmental Council's inquiry: an unsatisfactory situation for the council.

The study also raises the question of whether the Minister should hold the portfolios of Forests, Land, and Environment.

One can only speculate about what happens at the secret meetings of the Cabinet, but it is difficult to see how opposing viewpoints could be argued effectively by the same person.

The portfolio for the Environment should be independent of those for Forests and Lands.

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# Mystery author attempts Mount Erebus scoop

by Gordon MacLaughlin

A MYSTERY author looks like beating the field in a race to produce the first book on the Mount Erebus disaster.

Penguin Books have confirmed they are aiming at a September 30 publishing date for a paperback, *Last Flight to Antarctica* — but they won't release the name of the author.

The study also raises the question of whether the Minister should hold the portfolios of Forests, Land, and Environment.

One can only speculate about what happens at the secret meetings of the Cabinet, but it is difficult to see how opposing viewpoints could be argued effectively by the same person.

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Even Air New Zealand, whose DC10 plunged into the side of Erebus, doesn't know who it is.

Another author still in the race is Ken Hickson, *Churchill*, the aviation safety magazine, who has been working closely in association with Air New Zealand.

His publisher is Whitcoulls Ltd, which has announced the issue of *Flight 901 to Erebus*

for "late 1980 or early 1981" but is now said to be trying for October.

A third publisher was interested earlier this year but is now understood to have abandoned the race.

Neither book can be safely completed in manuscript until the release of the official report on the crash by the inspector of air accidents Ron Chippendale.

It's understood the report will be issued at the start of the

commission of inquiry hearings early in July.

The first book out will make it economically difficult for a second.

## Charles Darwin facsimile for investment?

WELLINGTON publishing company Nova Pacific is issuing a "limited edition, full-colour facsimile reprint of the *Zoology of the Voyage of the HMS Beagle* edited by Charles Darwin. London 1845-46, in three volumes."

Hang on a minute, don't ask me to buy it until I tell you the price: \$675.00 including freight and insurance with 10 per cent off if your order is accompanied by prepayment.

There will be 750 copies numbered by hand, and the leather-bound, gold-blocked volumes are endorsed by New Zealand Museum of New Zealand Director, Dr J. C. Yalden.

Indications are that they will be superb books any of us would be proud to own.

But take note: "Ours was the challenge of doing justice to the high quality of the original using modern techniques. We could only guarantee this by limiting the edition and in doing so you will also benefit from the assured investment value which inevitably attends such a purchase. It is a volume of interest that a sale of the original was recently recorded at \$9000. The volume on birds alone, with its fine illustrations by the renowned John Gould, is certain of becoming a collector's item immediately."

That is what the publisher's sales pitch says.

Apart from the questionable price, the paragraph should be read with some reserve.

## Overheads hit McGraw Hill educationists

EDUCATIONAL publisher, the McGraw Hill Book Co., has been achieving satisfactory sales growth in New Zealand but overheads have run so deeply into profit that the operation here will be reduced in size by more than half.

The heavy costs have been associated with distribution. So far now on, all but 500 of McGraw Hill's 18,000 titles will be held in stock in Australia and distributed on indent orders through the New Zealand office in Auckland.

The New Zealand company is a subsidiary of McGraw Hill

Australia, which in turn is wholly-owned by the huge American parent company, the largest educational publishing house in the world.

Local managing director Richard Bird said Auckland staff would be reduced from eight to three because of distribution change, but sales and promotion and some local publishing would continue out of Auckland.

"What really has been unprofitable has been the servicing of one book at a time for individual booksellers," Bird said.

McGraw Hill set up open-

I suggest that "investment value" is neither assured nor inevitable, and I would be specially guarded in my assessment without some knowledge of the number being published abroad.

The price of \$9000 fetched by "the original" is certainly of some interest but may have no bearing whatever on the value of the facsimile edition. In other words, the origin of this species of books — a facsimile edition — is irrelevant in measuring its investment value.

Those who have \$600-plus to spend on a book to admire and read, specially if they are interested in biology, will no doubt wish for a copy. Those contemplating an investment would be well advised to seek expert advice.

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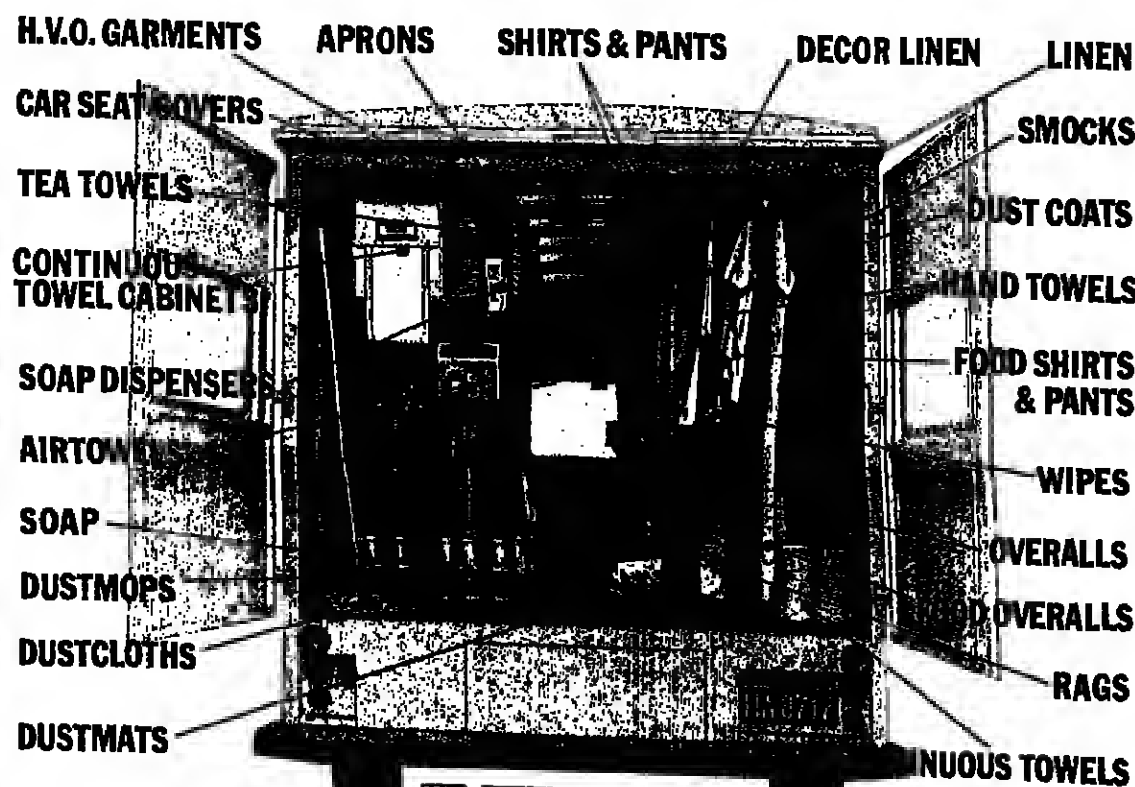
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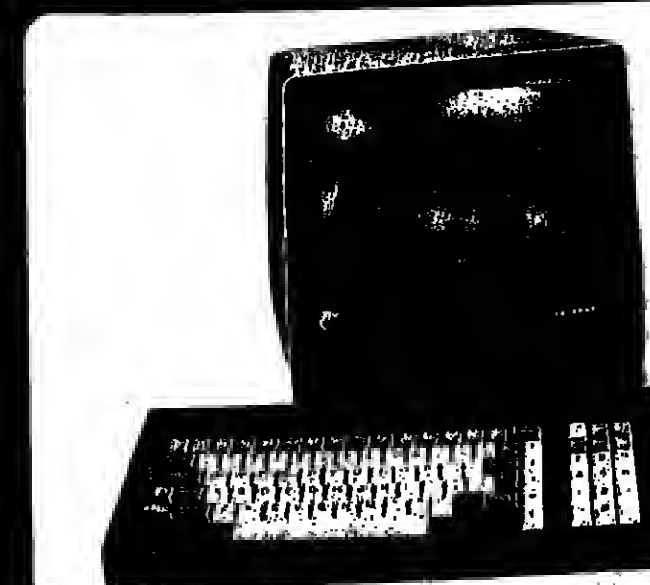
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# System X lays foundations for tomorrow

by Margaret McDonagh

THE foundations of tomorrow's world are always laid firmly in the present.

A hundred years ago, for instance, people could never have imagined the development and impact of telecommunications during the 20th century.

And a hundred years from now people will look back at today's technology as, perhaps, intriguing but primitive - although they will realise that it was the present day scientists and engineers who made possible the all electronic computerised telecommunications system they will be enjoying.

The building blocks of such a system are already being laid in Britain with System X, a family of electronic telephone exchanges which will carry the country into the next century. It will help the British Post

Office hold down plant and running costs and lay the foundations for a better basic system combined with new customer services and facilities.

System X has been called the 'complete approach to telecommunications' because it will be able to deal with a whole spectrum of communications of the future - teletext, home newspapers, colour facsimile and videophone.

Domestic and office life could well become interchangeable as telecommunications become a greater part of home life.

The British Post Office's Prestel Viewdata system is already part of the present, giving people immediate access to an enormous amount of information from computers.

Technically, System X is a group of new switching and associated systems using

microelectronic technology, integrated digital transmission and switching, stored computer program (software) control and common channel signalling. The System X family is on two levels - a range of exchanges and supporting systems and a set of sub systems. Every exchange in the System X family can be built up from basic electronic building blocks.

When System X exchanges are used together, they operate with each other in ways that help new services and facilities and improve those already in existence. On the other hand, System X exchanges can be used economically as separate units to improve an existing network.

System X has immediate effects - substantial reduction in the cost of equipment; reduction in the size of equipment; reduced installation

times and increased reliability and lower running costs. These benefits apply to a single System X exchange installed as a separate entity in an existing environment as well as to large new systems.

Initially, subscribers will notice little more than improved quality of speech transmission - less crackle on the line - and fewer calls failing to get through. Calls will also be transmitted more swiftly - the system is capable of sending a call in a fraction of a second to any part of the network.

But ultimately customers will benefit from: super fast push-button dialling; holding incoming calls while making an outgoing call on the same telephone; and then establishing a three way conference; automatic transfer of calls over a wide area so that customers can receive their

calls on other people's telephones; and automatic alarm calls in two forms - the signal call service for the casual user who wants to book a one-off call, and a service for the regular user who can book a programme of calls.

System X will be phased into the existing network alongside present day equipment, saving both capital and running costs. There are various ways of phasing in the system. In some places local exchanges will continue to serve the area and use existing trunk networks. This means they remain almost unaffected by the introduction of System X elsewhere in the national network.

The early impact of System X will not be dramatic, but its introduction will progressively bring about sweeping changes in costs and capabilities - and bring tomorrow's world a little closer.



System card... engineer probes line

changes will be overlaid on System X to serve the remaining subscribers. This is the interim balance between old and new. The final phase occurs when all the exchanges have been replaced with System X.

The early impact of System X will not be dramatic, but its introduction will progressively bring about sweeping changes in costs and capabilities - and bring tomorrow's world a little closer.

# Car makers try to stem tide of Japanese invasion

THE Japanese are invading the United States - with automobiles. And an anxious American motor industry is furiously lobbying the Carter Administration to stem the tide.

Unions are in the vanguard of the defensive manoeuvres. The United Auto Workers Union will petition the United States International Trade Commission to restrict imports of cars and trucks into the United States.

Union president Douglas A. Fraser told a group of 800 local union leaders in Washington that the action was needed "because the Japanese auto companies refuse to show any restraint at a time when more than 250,000 American auto workers have been laid off".

Fraser said the American auto industry "is in danger of being up to one-third of the United States market per-

manently if action is not taken rapidly".

He gave two reasons:

- The large-car market long dominated by American producers no longer existed;
- The difficulty of reducing market penetration by foreign firms once they had achieved it.

The USITC has the power to investigate and recommend relief in cases in which increased imports are a substantial cause of injury to American employment.

Among the forms of relief that could be granted are increased tariffs, quotas limiting the number of imports permitted, mandatory orderly marketing agreements, or a combination of these measures.

The recommendations would go to the President.

Fraser said the decision to go to the USITC was made after major Japanese auto

companies refused to agree to build auto plants in the United States and rejected calls for voluntarily holding exports to 1977-78 levels.

Fraser said that in the long run the only solution to the car import problem was to get the Japanese producers to locate plants in the United States, as West Germany's Volkswagen company already had done.

He called for a law requiring that if a firm sold more than 200,000 cars of a particular model in the United States, 75 per cent of the parts and labor input be produced in the United States.

Chrysler Corporation - the third-largest American car producer - reported on May 7 that it lost \$449 million in its operations during the first quarter of 1980, following losses of slightly over \$100 million in 1979.

The Ford Motor Company has reported losses of \$473 million in the first quarter of this year.

General Motors - the biggest American car maker - reported profits of \$55 million, but this was down 88 per cent from the same period one year ago.

A counter-attack against Japan is being fought on the diplomatic front too.

The Japanese Government will send a mission to the United States soon to identify American-made automobile parts that can be incorporated in vehicles manufactured in Japan, American officials said.

Japan also agreed in recent talks with American trade representative Robert Asker to reduce tariffs on imported automobiles and streamline border inspection procedures that have slowed customs clearance and raised costs for

these American products.

As a result of these measures, Takeshi Yasukawa, Japan's special representative for external economic relations, told Asker that Japan's automobile imports "will be more than tripled in 1980, compared to 1978."

Yasukawa recalled that a number of privately-owned Japanese automobile manufacturers had decided to build new plants in the United States, including Honda and Nissan makers of Datsun cars.

He said Toyota Motors is conducting "a full-scale survey of possible investment in the United States," which will be completed later in the year.

Yasukawa reportedly expressed his appreciation that the United States, in turn, would continue to oppose restrictions on automobile imports from Japan.

But there is strong pressure

on the Administration to curb the Japanese imports.

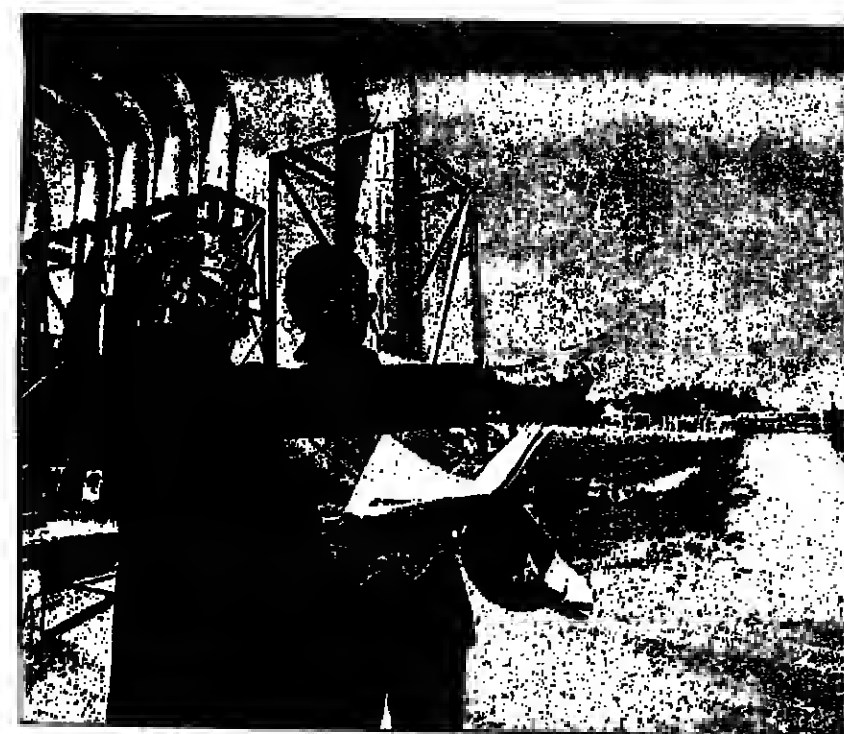
While Asker was in Japan, President Carter was assuring representatives of the American auto industry that he was aware of their problems concerning Government regulation and competition from foreign auto makers.

"We have no easy solutions," he told a group of industry and labour officials. "There are no magic answers."

Carter said his Administration had been working for months on possible means of alleviating the problems, including consideration of tax credits to American auto makers and regulatory changes.

The Nissan Motor Corporation, recognising the threat to its operations in the United States, has begun adopting new strategies as American apprehensions mount.

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# Plethora of packaged policy promotion for farms

by John Sloan

THE farming community, judged by the numbers of special package policies designed for them, must be a lucrative source of insurance business.

The latest company to enter the field is one of the stock and station "leavies" — Wrightsons, Wrightsons are promoting, through television, advertising and pamphlets, their special farm insurance scheme, "Wrightson Farm Insurance".

Underwritten by New Zealand Insurance Group it is similar to farm package policies underwritten by other insurers.

One of the first insurers into the farm field was the Sun Alliance Group who devised an excellent package but lacked connections with any of the major stock and station companies to promote the scheme.

The South British introduced their "Farmsurance" which was systematically promoted through their connections with major stock and station agents.

Not to be outdone, the AMP Fire entered the fray with their "Farm Pak", which is actively promoted by the large field force.

The Commercial Union Group had also designed a special farm insurance policy, "Shelter Bell", which was promoted through their Dalgely connections and proved successful. This policy is getting more impetus from the National Mutual life agents who are now making the most of the Commercial Union connection.

The policy which is expected to make the greatest impact is the Wrightson's scheme.

Previously, farm insurances were arranged by a plethora of insurances but package

policies now combine them all under one umbrella. The Wrightson's policy covers such diverse risks as: personal accident, farm dogs, machinery breakdown, buildings, content, motor vehicles, money, public liability, livestock, farming interruption, freezer contents, cut crops, and boats.

Although it offers the same basic features as other farm insurance packages, the Wrightson scheme includes:

- One annual payment which can be debited by Wrightsons to the farmer's account;
- Special discounts for certain insurances;
- The policy is expressed in simple language: (A "plain English" farm insurance policy is unavoidable: try translating terms like "farm dogs", and "sheep worrying", into traditional insurance jargon).

The New Zealand Insurance Group claim they have successfully combined a diverse range of insurance risks into a uniquely flexible policy which should prove popular with the farming community. Farmers have bizarre claims. One memorable case involved

an Eltham farmer whose bull leapt a fence and proceeded to impregnate the neighbour's herd of cows. The neighbour eventually claimed for loss of one season's milk production. The bull's owner countered that the neighbour had acquired three or four calves for nothing. And the insurance

company declined to pay anything because there was no proof of a defective fence. They also facetiously noted out the classic legal defence — *volenti non fit injuria* — which, translated means: "no injury is done to the consenting party" — that is, cows.

## Life offices try to stem inflation's erosion of funds

THE importance of the life insurance industry to the country's economy is illustrated in the extent of their total investments — \$3100 million.

The life offices, owned entirely by shareholders or mutually by policyholders, do not want to see their funds eroded by inflation.

This point was made by Gill Hoskins, National Mutual's New Zealand manager, who remarked recently: "Of major concern to us as trustees for over 300,000 New Zealand policyholders is the effect of inflation on personal savings and financial assets. Inflation erodes all forms of savings and creates uncertain business conditions. This, coupled with a deteriorating balance of payments at a time of record export prices, places the economy in a vulnerable position."

Hoskins' views were reinforced at a recent LOA meeting where LH Robertson, LOA chairman, and New Zealand manager for MLC, commented: "...I need not remind you that every sector of the community is affected by the effects of inflation, adverse balance of payments and industrial unrest, even government controls."

Some life offices are not reticent in giving their views for the country's life. National Mutual's Gill Hoskins said: "Old and imaginative moves are required to overcome these problems. Government must adopt consistent fiscal and monetary policies to achieve greater domestic stability. Incentives should be given to further encourage savings and investment by both individuals and companies. We need investment, particularly long term investment if we are going to develop our resources in the 1980s."

It is in the long term investment field that the life offices are promoting their interests. The New Zealand chairman of AMP, D.A. Smith, said: "In considering the future directions of the society's investments in the 1980s, in addition to normal investments in equities, firming and housing, funds will be available for participation and new resources such as the energy projects and other developments which would enable the combined savings of policyholders to form part of the New Zealand ownership of any new developments."

The small life offices are equally aware of the changing economic conditions. The Capital Life Assurance Company's recent annual report revealed how they had consolidated their operations, held costs, and "prepared to

move ahead in the challenging conditions likely to be encountered in the 1980s. Capital Life also spoke of another home truth for life insurers: the need to reduce resources to respond to changing conditions in the marketplace."

The life offices are still applying pressure to the Government for an increase in the tax exemption for life insurance premiums. The LOA raised the issue publicly at a recent luncheon attended by Trade and Industry Minister Lance Adams-Schneider. The Minister, in full oratorical flight, promised "careful consideration" of the request. Not doubting the Minister's sincerity, seasoned observers predicted the Government's response would be "another brick wall" when the issue is ultimately reconsidered by the real arbiter of tax exemption — Finance Minister Bill Muldoon.

Subsequent to this meeting, the Life Offices Association publicly announced the following moves, made to seek taxation adjustment from the Government.

- Urged the Government to announce in the 1980 Budget its intention to progressively increase tax exemption for life insurance and superannuation to double the present levels;
- Suggested that half the increase could be made effective from April 1 1980, with the balance being introduced from April 1 1981;
- Sought changes in the basis and rate of income tax charged to life offices themselves;
- Recommended that superannuation funds managed by life offices should be placed on the same basis as funds controlled by other fund managers and it has contended that the \$700 limitation should be removed for tax exemptions for lump sum schemes;
- Sought the exemption of life offices from the provisions of Section 212 of the Income Tax relating to joint ventures affecting land;
- Asked for the removal of the housing/farming directives.

## Insurance settlement

THE industrial dispute between the Insurance Workers Union and National Mutual/Commercial Union was settled amicably last week.

Union members working in National Mutual's fire and general side wanted the option to declare themselves redundant if they did not wish to join CU as part of the merger

between the two companies. The two insurance companies met with union and staff and agreed to a six week trial period in new jobs. After that, if staff didn't like their new positions, they could either be placed in other jobs or declare themselves redundant and qualify for redundancy pay. Union members have ratified the agreement.

# Debating the case for investigative journalism

by Jack Hodder

HERE is a curious and uneasy relationship between the press and the law. Each represents a powerful estate, independent of the legislative and executive branches of government.

Occasionally there is co-operation between them (perhaps, perhaps?). More often there is conflict, in particular on the proper limits of defamation, contempt of court and confidentiality of information.

It is with the last of these that a case with profound implications for investigative journalism, currently working its way up the British court hierarchy, is concerned.

The case has its origins in the British steel strike of early this year. The strike was over the state-owned British Steel Corporation's workers and lasted for many weeks.

BSC claimed that the union's demands were impossible to meet and the Conservative Government declared that the strike was an industrial matter in which it would not interfere.

But someone in the uppermost levels of BSC knew better. That person (let us call him "X") had access to the most secret papers within BSC and considered that incompetent BSC management and much neglected Government intervention were major factors in prolonging the strike.

X picked out the most telling parts of some 250 confidential BSC papers and showed them (or copies) to Granada television Ltd in return for a firm assurance that the deliverers' identity would not be disclosed.

Granada used the leaked papers in a *World in Action* television programme entitled "The Steel Papers". The programme included an interview with the then chairman of BSC in which he was cross-examined by the interviewer on the basis of the leaked information.

It seems that BSC and its chairman learned of Granada's possession of the leaked documents only on the afternoon before the programme was recorded.

The day after the programme was screened, BSC took legal steps to the issue of confidentiality and breach of copyright to recover the leaked documents.

Granada gave the documents back but only after winning out serial numbers to prevent X's identity from being ascertained.

BSC went back to court seeking an order compelling Granada to supply a sworn affidavit revealing X's name.

In April this year, Sir Robert Megarry, Vice-Chancellor of the Chancery Division of the English High Court, made the order sought by BSC.

The Court of Appeal has now dismissed Granada's ap-

peal against the making of that order (*British Steel Corporation v Granada Television Ltd*, *The Times*, 7 May 1980).

The Court of Appeal comprised Lord Denning, Lord Justice Templeman and Lord Justice Watkins.

All were agreed that Granada, being involved in the tortious act of another (that is, X's breach of confidence) were under a legally enforceable duty to assist the injured party (BSC) by giving up information about the wrongdoer in their possession.

There was no question of self-incrimination as Granada was already fully incriminated and anyway was a corporation (with "no body to be kicked and no soul to be damned", according to Lord Denning).

The only question which the Court of Appeal was required to give prolonged consideration to, was whether there was some public policy consideration which outweighed or overrode BSC's *prima facie* right to the order.

Granada argued that there was such a public policy consideration: the sources of information necessary for investigative journalism would dry up if it were known that an aggrieved victim of a "leak" could take legal steps to compel identification of the source.

This argument had received rather short shrift from Sir Robert Megarry, who clearly regarded investigative journalism as of doubtful value and prone to defamation and invasion of privacy.

The Court of Appeal judges treated the argument with rather more respect but still ordered disclosure.

Lord Denning, 81-year-old and still *penitus terribilis* of English law, had some nice things to say about investigative journalism: it had proved itself a valuable adjunct of the freedom of the press, notably in the Watergate exposure and the Boulton exposure; it should not be unduly hampered or restricted by the law.

He accepted that investigative journalism could involve an informant breaching a confidence and documents breaching copyright but that was not sufficient reason for compelling disclosure of the identity of the informant; the plaintiff had sufficient remedies in damages or injunction against the news media. But there would be exceptional cases where disclosure would be ordered.

These "exceptional" cases, said Lord Denning, should be assessed on the basis of responsible use of the information. If the newspaper (or television network) acted irresponsibly, by harming innocent persons or buying and publishing scandal, for example, it would forfeit its claim to protect its sources.

In Granada's case, it had given insufficient time for BSC to seek an injunction, the conduct of the interview was deplorable and the mutilation of the returned papers was a disgraceful contempt of court. Granada had abused its power

and should be compelled to disclose its source, he said.

Lord Justice Templeman was less convinced that disclosure in the Granada case would generally reduce the flow of information to the news media.

He accepted that the news media might use non-confidential information if they gave the source. But to use the confidential information and not disclose the source could only be justified if misconduct or corruption were thus demonstrated.

It was unfair to BSC and its employees that X should remain as a trusted employee, enjoying his pay and earning his pension, he said.

The third judge, Lord Justice Watkins, said that where justice could be done without requiring disclosure from the press then that should be done.

In the case of Granada, however, he considered that the gross interference with BSC's rights of property in the documents (especially their mutilation prior to return) entitled the claim for immunity from the requirement of disclosure.

The Court of Appeal's decision has met predictable but justified criticism from the British press.

Why should it matter how the Granada Television interviewer treats the BSC chairman in deciding whether or not X's identity should be disclosed?

Is X's identity not really an internal matter for BSC to sort out?

How can any real assurance of confidentiality be given to a source if its legal protection depends on whether the court thinks the editor/producer acted responsibly — or regards

what was disclosed as wrongdoing, rather than mere scandal or incompetence?

The order requiring Granada to disclose X's identity has been suspended pending a further appeal to Britain's highest court, the House of Lords.

If that appeal fails, then either X will be named (and start looking for alternative employment) or Granada and its current affairs head will be in contempt of court.

The latter would then make some sort of legal history as the first British Television executive jailed for contempt.

It may be noted that there are some interesting precedents for the Granada case. In 1957 the *New York Herald Tribune* carried a gossip column item about Lady

Garland and referred to a "CBS executive" as the source.

Garland sued CBS for defamation and the gossip columnist spent 10 days in jail for contempt after refusing to name the CBS executive.

In 1963 a *London Daily Mail* reporter was jailed for contempt for refusing to disclose his sources to a tribunal investigating the Vassall spy affair.

More recently, Myron Funder of the *New York Times* was jailed for 40 days and his paper fined a total of \$315,000 after he refused to turn over his notes, tapes and other material to counsel for the defence in a murder case. The accused was a doctor charged in respect of unexplained deaths in a hospital.

Both Granada and X will trust that the House of Lords prefers the *Pentagon Papers* precedent and preserves the superlative art of "whistleblowing".



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## Industrial relations

## Co-operation steers Huntly clear of conflict

by Hugh MacLean

"THE Government must encourage a free-market system, because we are perilously close to becoming a socialist state," Robert McKnight, executive director of the Contractors' Federation said.

"Almost all Western countries - including Australia, the United States, and Britain - insist on construction by contract in preference to day-labour for the simple reason that it is cheaper and more efficient."

"It all boils down to two different systems: a dynamic, tendering system versus a job-centred, lumbering Government one," he said.

At the Huntly power project, both systems work side by side.

The Electricity Department has overall responsibility and its employees have done a lot of the electrical and mechanical work. The Ministry of Works and Development erected the buildings.

Both departments let out work to contractors, most of whom belong to the Auckland Employers' Association.

Keith Handley, the employers' on-site representative, described the arrangement as "an exercise in co-operation".

Co-operation was the theme-song of those most closely connected with industrial relations at the site. The Federation of Labour, the Ministry of Works, the employers' on-site representative, the Huntly secretary of the Workers' Union, New Zealand Electricity Department, and a former industrial officer all talked of it.

It has not been all wine and roses at Huntly.

Six work-days have been lost through stoppages in the state sector and more than 200 in the private sector - mainly because of disagreements over wage claims.

But Huntly was "very good compared with other construction sites", FOL president Jim Knox pointed out. "Only one or two disputes have required the FOL to come in."

Huntly's record looks even better, given the size of a project that has been under construction for about six years.

Fuelled by coal and gas, the plant is expected to generate 40 per cent more electricity than the existing eight hydro stations on the Waikato River when completed in 1983.

Already it is a vast complex of turbines, boilers, steam condensers, generators and transformers.

The main building covers the area of 4½ rugby fields and two chimneys which will disperse the exhaust gases are each 150 metres high - twice the height of the country's tallest building.

The wage workers employed by the Ministry of Works belong to Workers' Industrial Union of Workers (NZWIU), which is affiliated to the FOL.

Most of the engineering and clerical staff voluntarily belong to the Public Service Association.

In the private sector each trade has its own union but a "composite site agreement" links the elements common to each union's awards, particularly the basic wage rates and allowances.

Nine unions - boiler-makers, drivers, carpenters, electricians, engineers, labourers, painters, plumbers, and storemen-pickers - are party to the agreement.

Only seven of the contrac-

tors have signed but most concur with it.

If, as Dennis Allan, the NZWIU's senior personnel officer, maintained, "the record of industrial relations at Huntly is second to none", it is pertinent to ask why. But as many different answers are given as there are people to give them.

Perhaps the most significant reason has been the mutual trust built up by frequent dialogue between unions and management.

Joe Paki, former on-site secretary of NZWIU, said he

worry about shareholders, about profit, or about efficiency. It has no financial restraints whatever. In effect, the Government buys its workers off."

Dan Duggan, general secretary of the NZWIU, expresses a different view: "Most contractors break up negotiations on work conditions; safety in many respects goes by the board if they can get away with it, and industrial matters don't worry them as long as they're getting the work done."

Some elements of these

applies only to the Huntly project. State and privately-employed workers at Huntly have close wage parity.

The benefit of only one union is obvious and something sorely missed in the private sector.

Duggan said that: "amalgamation of unions in the private sector is likely in the future, but only when the workers themselves decide".

Job security is heavily emphasised by union officials as necessary for good industrial relations.

At Huntly, the Ministry of

He emphasises the strict adherence by public sector union and management to the procedure for settling disputes laid down in the determination order.

Both parties try to solve any grievances at the lowest possible level and have generally managed to do so.

A worker with a complaint must first talk it over with his immediate supervisor and may seek the assistance of his union delegate if not satisfied.

Almost all disputes have been solved at this stage.

If he doesn't solve the problem, it can go through various on-site committees and possibly to the Arbitration Court.

The NZWIU shuns stoppages except as a last resort and the people almost always stay at work during a dispute.

To take a wage claim as an example, Duggan said: "We have the settlement backdated so that the time lag isn't a justice lag as well".

Stoppages are more often resorted to by the other unions. NZWIU members did walk off the job for two days when the Minister of Labour announced that a wage claim settled in October 1977 would not go into effect until early 1979. The men received their wage increase the following Tuesday.

Both the MOW and its private contractors provide free accommodation in nearby huts.

The NZWIU and MOW helped design the huts which put industrial relations on a good foot from the start.

There is accommodation for Huntly for about 150 workers and their families, but many of the huts are unoccupied because many of the workers are either local residents or prefer to stay in Hamilton.

All employers pay the travelling expenses of the commuting from Hamilton 70km away.

Knox said that on-site accommodation and post cooking, washing and other facilities have been a big factor in trouble at many construction sites.

"I think suitable accommodation is the reason for Huntly's success," he said.

One problem which Huntly shares with other construction sites is that many skilled workers who have finished at the project go overseas to look for another job. The country is faced with a severe shortage of fitters, according to Buckingham.

An exodus of skilled tradespeople raises the spectre of the Government importing skilled workers.

Knox warns of industrial upheaval should this occur. The FOL holds as a matter of principle, that local workers should have the first opportunity to work on construction sites.

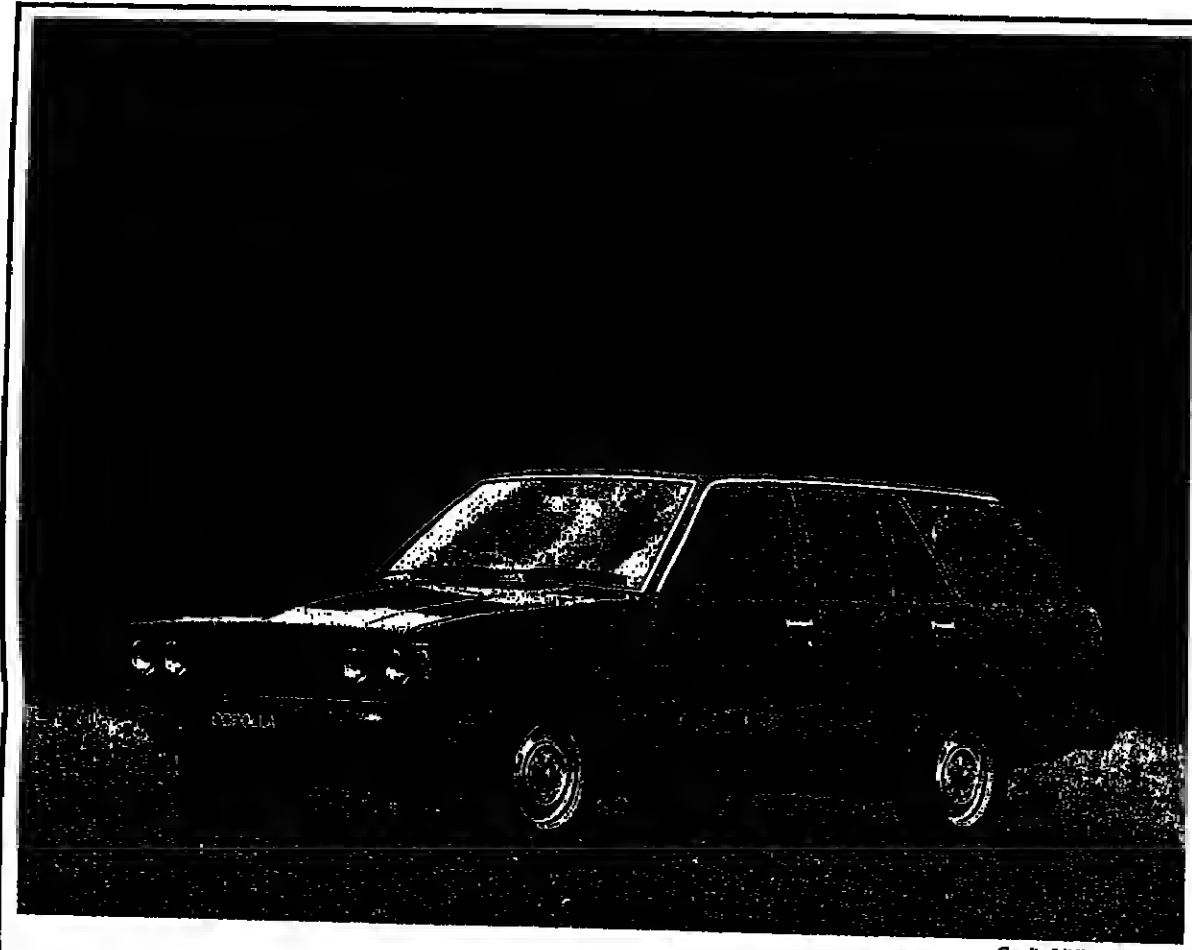
He urges that New Zealanders be trained in the required skills to avert such a future energy project and Buckingham said Government should put highest priority on a re-training programme as the project draws to a close.

Experienced at Huntly shows that this is by no means pie-in-the-sky talk. Many of the riggers and crane operators were trained to do the job they had no previous experience of, and have done it skilfully.

"The whole basis of good industrial relations on the site is the people that you hire," Buckingham said.

"The idea that the Ministry of Works hires the first bunch that queue up in the line is totally false. The department is concerned with getting the right people with the right training and background. Getting the best reflects through the whole project and affects the result."

Hugh MacLean is a freelance journalist currently on contract to the Ministry of Works.



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was in every-day contact with the two project engineers - the chief representatives of the Government departments at the plant.

For the first time on a construction site private employers have appointed an intermediary between themselves and their work force. He is Keith Handley, who also co-ordinates employers' actions in industrial matters.

Handley said Huntly's industrial record vindicated his appointment.

The dispute statistics show a marked discrepancy between industrial harmony in the state and private sectors - a pattern not confined to Huntly.

It is accepted that there is less industrial trouble among Government employees, but interested parties have contrasting explanations.

McKnight attributes it to Government softness: "The Government doesn't have to

views might well be true but Huntly employers have largely respected union sensitivities on three major issues: job demarcation; wage relativity, and job security.

Demarcation problems do not concern the state sector at Huntly, because the NZWIU's award covers people in many different trades and clearly and precisely lays down what each job entails. But, in the private sector it dispute is always just round the corner. For example, a boilermaker and an engineer belong to different unions and think the other is doing his job.

Wage relativity rarely upsets Huntly's state work-force. With only one industrial union, there is only one wage award - officially termed the determination order - which applies nationally.

The private sector does not have this advantage because the composite site agreement

Works is obliged to give redundant workers at least four weeks' notice. It must also give a worker leaving for any reason - apart from dismissal for "serious misconduct" - a certificate which shows the worker's designation, length of service and reason for leaving.

The worker can use the certificate as a reference to re-join the public service.

The private sector also has redundancy agreements. One of the most colourful figures connected with Huntly is Bill Buckingham who retired from the post of industrial officer last year.

Although no longer directly involved with the plant, he is highly regarded by the men who knew him and his advice is keenly sought.

He lives in Hamilton but delights in imparting his encyclopaedic knowledge of Huntly's industrial workings.

There are provisions for unsettled grievances to go as far as State Services Commission tribunal. No problem from Huntly has ever reached that level.

Similarly, in the private sector unions and management try to solve disputes and personal grievances this way.

An aggrieved worker who fails to come to terms with his supervisor can go to Keith Handley.

Handley said: "I'm available if a dispute of some sort does arise. If a man thinks he hasn't been paid properly, then he can come here with his job delegate and explain the situation to me. I can get hold of his boss and sort the thing out, and the problem is solved."

That's the sort of thing that can lead to big trouble if it's just left and nothing's done. I receive excellent co-operation from most unions."

## Overseas trade

## Vinka fashions vie for top-rung Saudi market

by Lindsey Dawson

DAVID Lucas, founder and director of Cooks Wines and managing director of Marce de Maru, (an Auckland hotel wear shop) is setting up a retail business in Saudi Arabia that he will never be able to set foot in. Not in his lifetime anyway.

He is a man and for segmented Saudis a fashion designer for women is exactly what Norman may intrude.

The November gala opening in Jeddah, featuring exclusive gowns by Lucas' wife, Vinka, will be a women-only event.

Lucas predicts a fashion bonanza in Saudi Arabia, and a breakdown of the kingdom's great export potential for New Zealand.

It's wide open - a notoriously exciting region with enormous possibilities.

"The Saudis know nothing about us," he said. "They don't know where New Zealand is, and they don't care if you have quality goods or not. They'll buy. There are no preconceptions - no myths. We have to dispel them. I thought I'd get in there and present ourselves as the vanguard of the South Pacific with an image of class and style."

We can't compete in unfashioned goods at the end of the market. But quality goods like pure wool carpet and goat-hair rugs can do very well indeed."

The Lucas are into the top echelon of the fashion market, and have entered into a joint venture with Jeddah's Khalid bin Abdul Road with Suzan Trading and Contracting, a furniture and fashion company.

The first floor of the Suzan building will be given over to the Vinka Lucas Designer Collections Salon. Vinka will produce the gowns in New Zealand at Marce de Maru retail salon in Queen Street. They will be shipped to Jeddah.

Prices are expected to range from \$1000 to \$10,000 for evening gowns and up to \$5000 for bridal gowns.

There will also be a range of less expensive garments with the After Five label, along with a range of accessories from lingerie to perfume, which will involve other New Zealand companies.

Orders for the After Five range have already come from Medina, Mecca and Kuwait. The top-line garments will only be available in Jeddah.

It is a good country for Vinka, whose extravagant and flamboyant designs are sometimes too "ultra" for conservative Kiwi tastes.

"It's incredible - the ultimate," she says. "For the first time in my life I can choose the world's most expensive fabrics and create to my heart's content without having to stop to wonder if anyone can afford to buy it."

Some of the fabrics, like those from Jacob Schaepler of Switzerland, cost \$500 a metre.

When NBR talked to her she was cutting with breathtaking nonchalance into 10 metres of lace valued at a mere \$90 a metre. She never uses patterns - just drapes and cuts the cloth on a model. "I'll use all of this in one bridal gown. I could never do that for a New Zealand client."

She has not yet visited Jeddah. It is as hard to get a visa for a woman to enter Saudi Arabia as it is to get a visa and tonic once you are there. But she hopes to visit soon to meet the women she is designing for, and get an idea of their culture.

David Lucas was there in April, after the showing of a Lucas collection at the London Fashion Olympia which aroused keen Arab interest.

"It was becoming obvious that growth for our business lay overseas," he said. "People don't go to balls or grand affairs much here - they'd rather dress casually and go off to a BYO restaurant."

"Going to Olympia was an expensive exercise, and no Australian or New Zealand fashion house had done it before."

"It established Vinka as a status designer and her exotic styles appealed to the Arabs."

He decided to investigate the potential in Saudi Arabia - and found on arrival that normal business conventions did not apply.



Vinka fashions... "quality goods to sell, they'll buy"

"Nothing is as it seems. The most ordinary looking places can turn out to be the most prestigious. And if you don't have good contacts and agents who know the ropes, you're wasting your time."

Lucas knew little in advance of the local fashion scene - most of the published infor-

mation on the Saudi Arabian market deals with food products, machinery and building materials, not a word on fashion - probably because Saudi women are always veiled in public.

"But beneath that veil they are wearing garments from the world's top fashion

houses. Money is no object for the Saudi woman. When it comes to clothes, the sky's the limit."

There is no way that western businesses can "research" the female of the Saudi population, Lucas said.

"The conventional channels of communication don't exist. There are no television ads or cinemas. Women are not allowed to drive. Only a few women of the most prominent families travel outside Saudi Arabia. And yet I'm told that within the family circle women are very influential and have enormous buying power, at least in the middle and upper income levels."

The clothes which they spend so freely on are worn at women's social gatherings where they are an indication of the wearer's wealth and position in society. "It's not uncommon for them to spend

\$5000 on a garment which would be worn only once."

A Saudi woman on a buying spree does have problems. Women cannot work in conventional retail shops and so all the assistants are men. The woman may not try on a garment unless her husband is present. Unless she is a trusted client who can take things "on approval", she has to buy garments without seeing how they look.

This dilemma has led to the development of specialist salons, staffed by women, where shoppers can browse and try on clothes away from the eyes of men. The Lucas salon will be the fourth of this type in Jeddah, and will be off limits to Lucas himself, except after-hours.

The salon will open in July, but the official gala occasion to mark its arrival on the Jeddah scene will not be held until November.

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# Transport users lose sight of overall direction

by Rob Stott

IF all the problems facing transport could be distilled till just one king-sized problem was left, it probably would be that New Zealanders either cannot or will not decide what they want from transport.

Railways general manager Trevor Hayward, in an address in Timaru, summed up the "South Island view" of transport: "South Island harbour boards have complained for years that our freight rates have been too low and that by setting low rates we have effectively killed off coastal shipping. But at the same time South Island manufacturers associations have been saying for years that rail freight rates are too high and that they are effectively killing off South Island manufacturing."

Hayward asked his audience: "Could any of you

tell me here today whether you want rail charges, especially inter-island charges, to go up to suit the harbour boards or down to suit the manufacturers?"

It is unlikely that the audience came up with a sensible single answer, so no doubt the Railways will continue as before — hoping more or less to please everyone and succeeding in annoying most people down South.

But don't blame the Railways or the transport industry. The problem is that New Zealanders don't know what they want from transport, so they're never satisfied with what they get.

All the sophisticated analysis in the Wilbur Smith report never touched on the question of what people actually want, although it may have suggested the various costs of a number of alterna-



Transport... New Zealanders don't know what they want from it.

tives. That didn't help us to make up our minds as a nation.

We don't know if we want transport to be profitable, although it is regarded as good when we see how so much of transport is subsidised. At the same time we want transport charges to be too high.

Those living outside main centres want their home areas to have the best possible links

with the cities, in the belief that this will somehow benefit their own regions.

Then they are unhappy when they find that improved links often do little more than facilitate the expansion of suburbia.

Despite all the transport reports and research, despite the small armies of experts recording tonne/kilometres and passenger/kilometres, we

have no-one who will set down what transport is for and how it can be used in the hope of getting agreement on some overall objectives.

Discussion in Government circles about free enterprise and competition in transport is a waste of time. If we knew what transport was supposed to do, we could sit down and talk about how it was to be done — by the State, by free enterprise, or a mixture of both.

But until we have a course set, there is no point in arguing about how we're going to progress along that course.

So, in the hope of inspiring a bit of thought about what transport is about, I offer some suggestions based on the premise that we may as well give up trying to make transport "pay" in a hook-keeping sense.

All modes of transport are subsidised, cross-subsidised and all the rest, so let's give up on this aspect — or rather, let's institutionalise these losses.

In support of that argument, first consider that transport makes a loss, the loss is made up by the community. If transport makes a profit, the profit comes from everyone who uses transport directly, or who uses goods which have been subject to transport at some time.

These users, direct and indirect, and the people who pay to meet deficits on transport services are actually the same people.

This clears the way to at last solving one of the great mysteries of transport in New Zealand: Why does transport often lose money?

Answer: Because the charges are too low.

So how can we make transport profitable?

Answer: By charging ourselves more.

So who wins?

Answer: No one.

No-one wins because transport is an absolutely essential service industry which doesn't produce anything. If it runs at a profit or a loss it doesn't make much difference.

What would happen if it was decided as a matter of policy that goods transport within New Zealand should not be profitable? Let's assume that the Government decreed that all goods transport services need meet only, say, 90 per cent of their costs.

The result would be of some assistance to people who actually use transport. Transport users, by and large are productive souls, for it is production — or rather, the fruits of it — that is transported. If this transport subsidy would be a subsidy for producers, be they farmers,

manufacturers, quarrymen or wharves.

The subsidy would come from all taxpayers, so it would be a way of redistributing wealth from consumers to producers.

At a time when we could perhaps be better off if we produced more, this might be no bad thing.

Some may say that without the profit motive, transport would become fat and flabby, whereas may say that if transport was sold at less than its true value, it would be wasted.

First, I have mentioned a figure — say 90 per cent — and not an open-ended situation.

Second, I wonder if goods transport can be wasted I suppose we waste transport now, in that South Island manufacturers get favourable freight rates for their goods sent north. It might be more efficient to shut down South Island manufacturing and produce goods where they are needed — South Auckland instead of in the southern houndocks.

To do that would mean writing off all sorts of assets in the south — assets like schools, people, hospitals, police stations and so on. It might cost so much that the alternative of less expensive transport would be cheap overall.

Some rules would have to be laid down. For instance, ancillary road truck services should not be included, the genuine common carrier should have the undoubted benefits of such a scheme.

The same rule might be able to make a donation to the road funds, sufficient to enable a reduction to be made in road user charges.

For ship-owners some sort of investment grants, as used overseas, could prove best.

In every case, the assistance (a word which has a better ring about it than subsidy) would be aimed at keeping the transport industry reasonably well balanced, so that each mode retains its competitive advantages, and each gets its fair share.

This reasoning brings out that our transport system should be seen as a thing for making production possible, a thing which properly used can positively help us to increase production.

If we could see transport as an investment for people with money to spare, not as a charity for the dispossessed, not as a creature on our backs, but simply as a necessary ingredient for production, then maybe we would be on the road to a more rational transport system.

We are far from that, but there is a chance we may introduce more competition into transport on the basis that what seems good for other activities also must be good for transport.

We are losing sight of what transport is all about.

If we have surplus energy, manpower, cash and other resources we should put them into producing more and stop fighting over who's going to carry the goods to market.

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# The promise of great returns awaits producers

by Terry Power

ORCHIDS yes ... custard apples maybe ... King Country avocados no.

That, in a nutshell, was the advice from Eric Toleman in the Sir Joseph Banks Memorial Lecture to the Royal New Zealand Institute of Horticulture in Hamilton.

Toleman works for the Department of Agriculture and Fisheries in Hamilton. If New Zealanders — "an enthusiastic race who tend to ignore problems" — planned and worked realistically, we could become in the medium-term, "a major horticultural producer in the world", Toleman said.

Till recently, most horticulturalists were "in it as a way of life". They knew a lot about horticulture, and little about business. Many of the overseas growers knew a lot about business, but little about horticulture.

Toleman said the price of land often had been unrealistically high in relation to the value of the crops produced on a hectare, and the arrival of people with more business sense.

Since he said horticultural export receipts had been dominated by apples and pears (\$70 million last year) and kiwifruit (\$30 million).

Toleman said he expected both these figures to increase substantially.

Early the biggest increase in absolute terms had been that in kiwifruit growing.

There were 720 hectares devoted to the crop in 1972, 4200 in 1981 and "what it will be in 10 years I shudder to think", Toleman said.

There had been proportionate growths in other, smaller horticultural crops. Once there had been only five significant commercial growers of orchids, but there were now 50, producing about 1 million blooms. That was likely to become 10 million by 1984, and multiply 10-fold again by 1994.

There were just 63 hectares of blackcurrants in 1970, but 249 by 1979 and a projected 1090 by 1984, Toleman said.

There was a large demand for asparagus, but he was not so confident about the country's prospects in that direction.

"Some in the Waikato have thought it's a good alternative to maize. Anyone can grow maize. Asparagus is much more difficult."

The area being grown had expanded since last year from 658ha to 1082ha, but he doubted if projected crops would be realised. "In the Waikato, a lot of it is being planted in unsuitable soils", he said.

More emphatically, he disapproved of the King Country as a likely area for striking an avocado bonanza. "They have been planted there, believe it or not."

Land needed to be chosen not only with soil suitability in mind, but also the availability of labour and transport.

Crops for which he could see a fine commercial future included pecan nuts and custard apples.

Though normally grown in tropical areas, he said the harder varieties of custard apples could grow satisfactorily in New Zealand. He also suggested developing even harder varieties.

Berryfruit could produce millions in future export dollars, he said.

Raspberries seem particularly suited to the drier, colder areas of the South Island.

The Waikato-developed marionberry had a future, and so did the blueberry. But with these, Toleman saw marketing problems. While overseas wholesalers were interested in buying New Zealand horticultural produce, it needed to be in what were to them worthwhile quantities.

"A German importer this

year wanted 4000 tonnes of marionberries," Toleman said. Another was interested in blueberries — but only in hundreds of tonnes a week. "New Zealand's total annual production last year was 12 tonnes."

Another vital requirement is a reputation for high quality produce.

"London buying of our apples is now often done without seeing the fruit," Toleman said.

"It wasn't always so." Two decades ago, New Zealand had a poor name for short weight and misnamed varieties. Australia had a worse one.

More recently, "tomatoes have been rotten by the time they reach the customer. A good reputation is priceless. Orchids are now being beautifully packed and arriving in excellent condition."

Overseas countries must

take most of our extra production, Toleman said. But, taking kiwifruit as an example, "even when our growing skill reaches a peak — and it's got a way to go yet — there will probably always be at least 20 per cent which aren't suitable for export."

"That 20 per cent will grow to more than New Zealand can consume at the present rate. So either we've got to eat a lot more kiwifruit or we'll need to process them, then export the product."

Our country had horticultural advantages — "plants seem to grow in New Zealand despite people". But Toleman's estimate was that only about 10 per cent of the land area was suitable for horticulture.

"It can never use much of the land used now for farming," he said. "Horticulture will complement farming, not oust it."

Co-operation among growers — following the example of the Dairy Board — was essential, but hard to achieve among competitively inclined Kiwis. Without co-operative marketing, he warned, British horticulturalists between the wars had been reduced to "an almost peasant existence" because their crops simply did not fetch what they were worth.

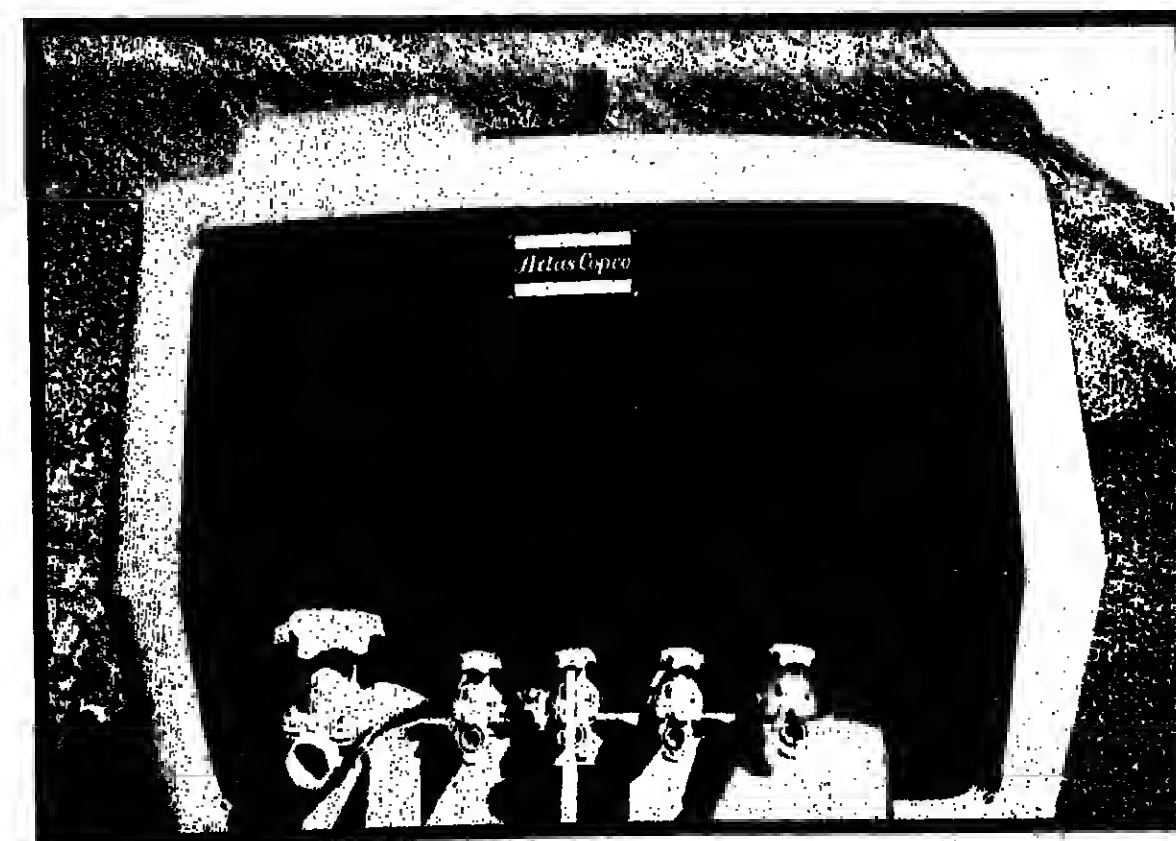
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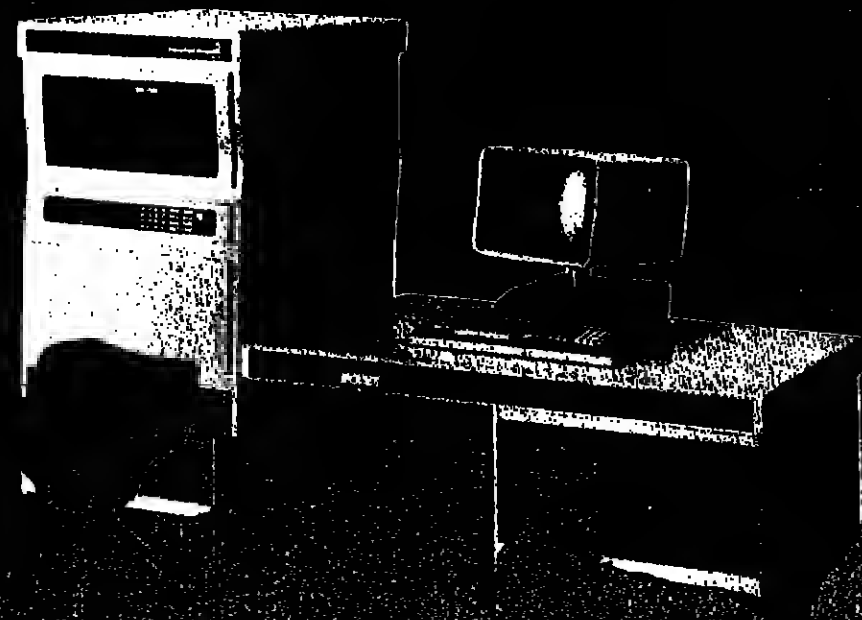
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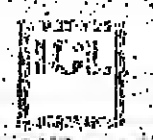


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Till recently, most horticulturists were "in it as a way of life". They knew a lot about horticulture, and little about business. Many of the new entrants knew a lot about business, but little about horticulture.

Toleman said the price of land had often been unrealistically high in relation to the value of the crops produced on it. He welcomed the arrival of people with more business sense.

So far, he said horticultural export receipts had been dominated by apples and pears (\$70 million last year) and kiwifruit (\$30 million).

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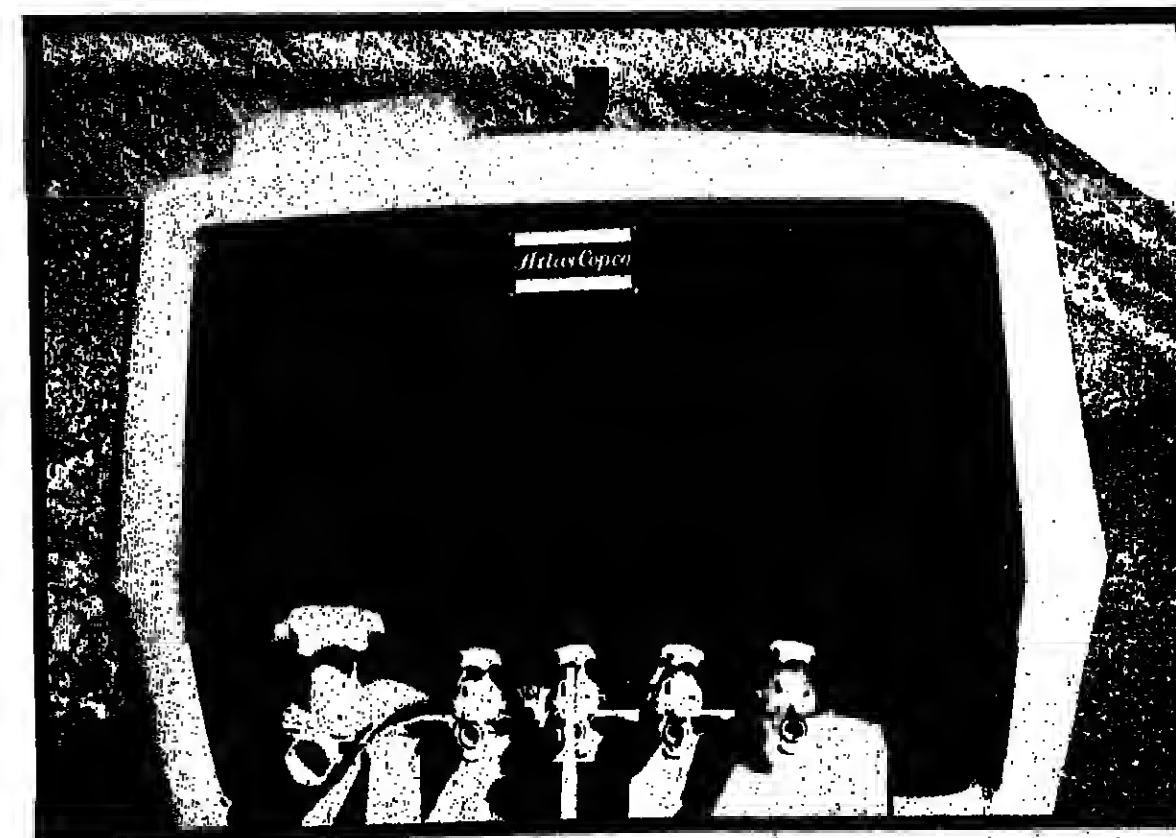
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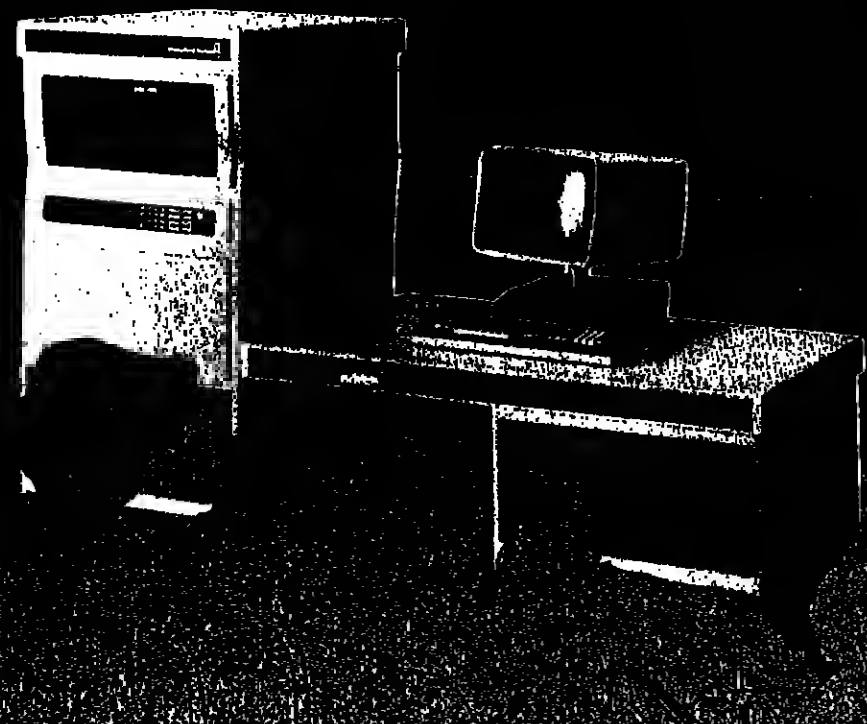
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